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NEWS SUMMARY

GENERAL

Snow brings chaos to Britain

Snow storms swept Britain bringing chaos to thousands of miles of roads, and paralysing traffic yesterday. An estimated 500 miles of traffic jams clogged rush-hour roads in the South and Midlands.

Conditions were made worse by the one-day strike by train drivers.

Many Tube services were severely delayed. The London Chamber of Commerce estimated that, at most, 75 per cent of people working in London had reached their destination.

Air travel was also hit. British Airways said that all its domestic flights out of Heathrow had been cancelled.

Evening News to cut jobs

The London Evening News is to cut about 580 jobs and the number of editions it prints, in an effort to trim £5m off its annual losses, now running at over £7m.

Hardest hit will be the distribution staff, where 275 jobs are to go. Associated Newspapers, which owns the News, said the level of redundancies was not negotiable, but would be voluntary as far as possible. Back and Page 6

Beirut blast

Palestinian guerrilla leader Yasser Arafat returned to Beirut to lead inquiries into the car-bomb killing of Abu Hassan, his senior security aide.

Belfast attack

Gunmen posing as roadsweepers shot and seriously injured a policeman in the centre of Belfast. Shortly afterwards, another policeman was injured in a gun attack on a patrol car.

Embassy 'seized'

Iranian students took over their country's consulate in Paris, proclaiming it the "Embassy of the Islamic Republic of Iran." They later left without interference from police. The Shah has decided to postpone his visit to the U.S. and stay in Morocco for a week. Page 4

Director cleared

Thomas Graham Lock, 46, general manager and a director of Lucas Service Overseas—one of the defendants in the trial alleging Rhodesian sanctions busting by two subsidiaries of Lucas Industries, was acquitted at Aylesbury Crown Court. The trial continues. Page 6

Cigarette 'lottery'

The Imperial Group lost the first round in its court battle over the 'Spot Cash' cigarette promotion scheme when a High Court judge ruled the scheme was a lottery and therefore unlawful. An appeal is to be made. Page 26

Tanker inquiry

Dublin High Court Judge Declan Costello is to head a tribunal of inquiry into the explosion on board the French oil tanker Betelgeuse in which 50 people died in Bantry Bay, Co. Cork, on January 8.

France rejoins

France returning to regular international disarmament talks in Geneva today, ending a boycott started by the late President de Gaulle 16 years ago.

Briefly

Superstar John Travolta has pulled out of his latest film American Gigolo because his father has had a heart attack.

Britain's first regular fortnightly London-Moscow coach service starts on May 18.

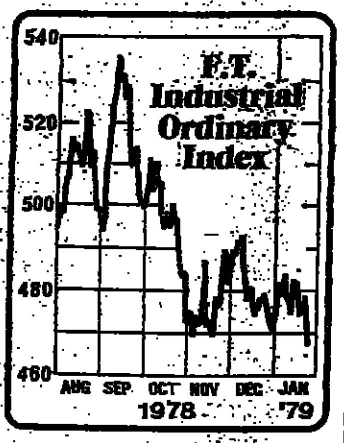
Lord Alexander Todd, President of the Royal Society, was awarded the Lomonosov Gold Medal, the Soviet Union's top scientific award.

Troops loyal to Pol Pot have launched attacks on Vietnam-led forces around several important towns in Cambodia.

BUSINESS

Equities reach six-month low

● EQUITIES reacted to industrial news and the Bank of England's warning of the need for continued monetary restraint, and the FT ordinary index closed 5.5 down at 467.6, its lowest for six months.



● GILTS steadied at the long end but shorts lost up to ¼ and the Government Securities index fell 0.01 to 66.99.

● STERLING lost 25 points to $1.9960 and its trade-weighted index remained at 63.2. The dollar's depreciation narrowed to 8.9 per cent (9.0).

● GOLD fell $3¼ to $230¼ in London.

● WALL STREET was 3.40 up at 846.93 just before the close.

● WEST GERMAN economy is expected to grow by 4 per cent in 1979, Government experts in Bonn have predicted. Back Page; Editorial Comment Page 18

● JAPAN'S economy is expected ot grow at rates of no more than 5 per cent in the next year or so, according to the Japanese businessmen's federation the Keidaneen. The Government in Tokyo expects a 6 per cent growth rate. Page 4

BSC technical deal

● BSC has signed a technical agreement with Siderbras, the Brazilian steel industry's state holding company, which is expected to lead to contracts for the corporation's overseas services division. Back Page. European and Canadian steel manufacturers have agreed to begin work on a programme to cut EEC steel production costs by about $80m a year by the 1980s. Page 2

● SCOTCH whisky exports last year reached a record £661m, and a volume increase of 12.5 per cent on the previous year. At the same time the industry is threatened by an EEC Commission decision that arrangements made by some whisky companies to restrict parallel exports of Scotch infringe the Treaty of Rome and must end. Page 6

● FIAT has completed its group reorganisation with a top management reshuffle giving Sig Umberto Agnelli direct control of Fiat's daily management. Back and Page 24

COMPANIES

● DAVY CORPORATION, the engineering and construction group, reports pre-tax profits for the half year to September 30 up from £8.4m to £8.52m. Page 20 and Lex

● SMITH BROS, the UK stock and share jobber, reports pre-tax profits for the half year to October 27 down from £704,282 to £222,610 reflecting a reduced level of market activity. Page 26

● TRANS WORLD AIRLINES, whose parent company Trans World Corporation has announced an unexpected $12.1m loss in the fourth quarter, has applied for a 7 per cent increase in Transatlantic air fares. Page 24

● XEROX CORPORATION of the U.S. reports a 17 per cent rise in fourth quarter earnings to $108.9m, bringing the total 1978 increase to $563.9m, up 15 per cent on 1977. Page 24

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Fenner (J. H.)	160	+ 3
Finlas	127	+ 7
Pethow	55	+ 6
Chersonese	56	+ 3
De Beers Defd.	423	+ 12
Tronoh	260	+ 15
FALLS		
A.P.V.	195	− 5
Bassett (G.)	109	− 5
Bell (A.)	177	− 5
Blue Circle	265	− 4
Burton A	184	− 5
Davy Corp.	138	− 15
Electrocomponents	315	− 10
Glaxo	480	− 5
GKN	244	− 6
Hillards	206	− 6
Liden	8	− 3½
Lucas Inds.	288	− 8
MFI Furniture	180	− 5
Rank Org.	256	− 8
Robertson Foods	138	− 5
Smith (D. S.)	75	− 4
Status Discount	207	− 4
Strong & Fisher	70	− 4
Thorn Elect.	351	− 5

Anger as Callaghan defends right to cross pickets

BY RICHARD EVANS AND PHILIP BASSET

Mr. James Callaghan infuriated Labour Left-wingers and many trade union leaders yesterday by strongly defending the right of workers to cross picket lines and by hinting that police should take stronger action to control excessive picketing.

His intervention was seen by MPs as further evidence of the damage the Prime Minister believes the road haulage dispute in particular is doing to the Labour Party's electoral prospects, as well as to the economy.

But his forthright criticism of picketing methods, and the direct challenge he appeared to throw down to workers to cross picket lines, threatens to widen the divisions inside the Labour and trade union movement over the conduct of current disputes.

His comments in the Commons followed an earlier speech at a TUC conference at which he warned that rank and file trade unionists had a "major responsibility" to ensure that the country did not "plunge once more over the abyss" on inflation.

The Department of Transport said yesterday that pickets had intensified their action in the North-west and the North. Pickets in the Newcastle area were deliberately refusing to comply with the transport workers' union code of practice.

Elsewhere, there were signs that picketing had eased. More company owned vehicles were allowed across picket lines in Wales, the east and west Midlands and in the Bristol area, although Mr. Alex Kitson, the union's executive officer co-ordinating the strike, said yesterday secondary picketing was still a big problem at some ports.

In the Commons, Mr. Callaghan once again came under attack from the Conservatives for under-estimating the disastrous consequences of the road haulage strike and not appreciating the scale of the problem raised by picketing.

To the surprise of both Labour and Tory MPs, the Premier strongly defended during question-time the right of workers to defy picket lines which he insisted were not sacred objects.

"There is nothing in criminal or civil law, to stop workers carrying out their duties, and I hope they will do so," he declared.

After Mrs. Margaret Thatcher and other Tories had challenged him on the right of ordinary people to carry on working without interference, Mr. Callaghan added: "I really do not see why anybody need cease work in this situation."

The remark was greeted by jeers from the Tories who protested at threats from pickets of retaliatory action and the withdrawal of union cards.

But the Prime Minister insisted: "Everybody in this country is entitled to cross a picket line if he disagrees with the arguments put to him. And I would not hesitate myself to cross a picket line if I believed it right to do so."

He then came out against a further appeal from te Tories for new measures to be considered limiting the powers of trade unions—but added this warning: "There comes a time when the nation's patience does run out, and then despite the unwisdom of the legislation it might have to shackle the trade unions to the overwhelming dislike of the country in the long run."

A Tory back-bench motion tabled last night welcomed the Prime Minister's support for every citizens' right to cross a picket line, but pointed out that this bore no resemblance to a situation where large numbers of people were being stopped

Continued on Back Page
Parliament Page 9

More water workers on strike over 14% offer

BY PAULINE CLARK, LABOUR STAFF

THE THREAT facing the Government from Britain's 1.5m public service employees was emphasised yesterday as several hundred more water workers went on strike against their 14 per cent pay offer.

The Government was hoping that the 14 per cent offer, which includes a substantial efficiency bonus, would avert the danger of serious disruption by the water and sewage workers adding to industrial action being taken by 1.5m other public service workers.

Following Monday nights rejection of the offer by 200 workers in Manchester and the unofficial strike begun in the Ribble water authority division, water workers in four depots in the Wales area yesterday came out on strike.

Water supplies over a wide area in South Wales are now threatened by action from the Llanternam and Chepstow and the Blackwood and Tredegar divisions, where members of both the National Union of Public Employees and the General and Municipal Workers' Union are believed to be involved.

The NUPE executive decided on Sunday to send out the offer without a recommendation to its members despite a national joint industrial council agreement to recommend it.

The final decision by NUPE members is not expected until the first week of February, but the municipal workers, the biggest union in the industry, expects a result on Friday.

The water workers' action spread as the four main public service unions began their co-ordinated campaign over pay by local authority and hospital workers throughout the country.

It was estimated by NUPE that "tens of thousands" of public service workers had decided on a week-long strike, while "hundreds of thousands" had started other forms of action.

Ambulance service were badly hit. The Army helped to keep emergency services going in some areas of London and on Merseyside. A full resumption of emergency services in London was expected by last night.

Talks were continuing between Government officials and union leaders on the terms of reference for an inquiry on pay comparability between public service workers and their equivalents in the private sector.

Daimler-Benz U.S. lorry plant

BY GUY HAWTIN IN FRANKFURT

DAIMLER-BENZ — the most consistently successful motor manufacturer in West Germany—is to set up an assembly plant for commercial vehicles in the U.S. The factory, at Hampton, Virginia, will start production next year.

Daimler-Benz is aiming for a large share of the fast-growing market for diesel-powered commercial vehicles in the U.S. Initially, the American plant will produce some 4,000 medium duty vehicles a year on a one-shift basis. This will rise to 6,000 units a year by 1981.

The group's Stuttgart headquarters said that production at the plant could be doubled by the introduction of two-shift working. In acquiring land for the project, provision had also been made for greatly extending the works.

The U.S. lorries will be in the 10 to 14 tonnes range—U.S. Class Six and Seven vehicles—the company said.

Parts for assembly at the plant will be shipped in from the group's works in Brazil—the source of supply for the vehicles Daimler-Benz sells in the U.S.

The Daimler-Benz announcement follows the recent move by MAN of West Germany to acquire a stake in White Motor, of the U.S., a manufacturer of heavy trucks. The trend towards diesel-powered trucks in the U.S. is attracting considerable interest from European manufacturers, especially Iveco (the joint venture between Fiat and Klockner - Humboldt - Deutz), Volvo and Renault.

Before expanding production at the semi-knockdown assembly plant further, the group's U.S. subsidiary — Mercedes-Benz of North America — will concentrate on building up its sales and service network. At present the group's vehicles are sold through 151 dealerships, located in 34 cities.

In 1978 Daimler-Benz sold some 2,251 of its U.S. Class Six and Seven vehicles in the American market. This year it expects to sell 3,500.

Capital investment costs for the project amount to $6.6m (£3.3m) and the highly automated plant will initially provide 160 jobs. According to Daimler-Benz, apart from low interest rate financing there has been no subsidies from the State of Virginia. The site had been chosen among other things for its good communications facilities, including the dock at Norfolk.

Mercedes-Benz acts to protect its U.S. market Page 3

Rail unions put claim

RAIL union leaders presented their "substantial" pay claim to British Rail in talks which are also intended to reach a settlement over productivity payments. Back Page

LAY-OFFS caused by the lorry strike have reached 175,000 to 200,000 according to Government figures, with 65,000 claiming State unemployment benefit. A West Midlands survey shows many companies expecting to stay open indefinitely, but Yorkshire and Humberside employers forecast a total of 70,000-80,000 layoffs by the weekend.

CBI denied it has tried to scare the Government with high lay-off forecasts.

PICKETS are being paid at a "going rate of £1.50 to £10 a lorry" by companies to let lorries into factories according to the British Plastics Federation. Picketing at some ports lessened and a TGWU-CBI agreement was reached in Scotland to ease problems.

FORD car and lorry production is reduced by 10 per cent because imports and exports of cars and components are blockaded at East coast ports.

ANIMAL feed makers say prices of raw materials are rising because of shortages.

Strike effects, Page 8

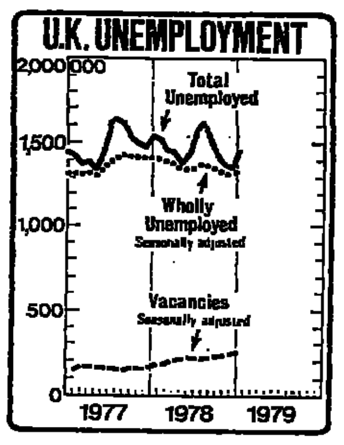
Jobless total rises to 1.34m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

UNEMPLOYMENT IN the UK increased sharply in the month to mid-January. This was the first rise since last August and mainly reflected the exceptionally bad winter weather rather than the effects of the industrial disputes.

The number of adults out of work rose by 18,500 to 1.34m, seasonally adjusted, according to Department of Employment figures announced yesterday. This is equivalent to 5.6 per cent of the workforce.

The count was taken on January 11 before the road haulage strike had begun to have its full impact on industry, though the tanker drivers' dispute may have had a small effect on the figures.



The latest Whitehall estimate, based on information available on Monday, is that between 175,000 and 200,000 workers have now been laid off as a result of the road haulage dispute.

The number of people temporarily out of work and claiming benefits rose to 55,000 last week, compared with 10,000 before Christmas. The difference between this figure and total layoffs is partly explained by the number of workers whose pay has been guaranteed or who are otherwise not eligible for benefit.

If the present disputes continue there will naturally be a much larger impact on the unemployment figures by the mid-February count.

The Whitehall view is that the reversal of the previous months' downward trend in unemployment can be explained by a number of special factors—in particular, harsher weather—than is allowed for in the usual seasonal adjustment. This has had a serious effect on construction and agriculture and was reflected in an above average rise in unemployment in northern England.

In addition, the number kept off the unemployment register by the special Government job measures dropped by 22,000 to 165,000. This reflected the declining impact of the Temporary Employment Subsidy and the disappointing use made by employers of the short-time working compensation scheme.

All this makes it difficult to discern the underlying trend of unemployment after a fall of 71,000 between August and December. But an indication that the downward trend may have been only temporarily checked is provided by a rise of 4,700 to 235,900 in notified vacancies on a seasonally adjusted basis. This represents a rise of nearly 31 per cent during the last year and is the

Continued on Back Page

£ in New York

—	Jan. 23	Previous
Spot	$2.0012-0022	$2.0060-0070
1 month	0.46-0.40 dis	0.38-0.30 dis
3 months	1.19-1.15 dis	1.11-1.05 dis
12 months	3.95-3.75 dis	3.60-3.30 dis

Israel fears over oil supplies

By David Lennon in Tel Aviv

ISRAEL faces an oil supply crisis, according to senior American oil executives familiar with the Israeli market.

The Government, it is being claimed, is withholding information on the situation from the country because of the effect such news might have on the peace talks with Egypt.

The Ministry of Energy confirmed that the loss of Iranian oil, which supplied over half of Israel's needs, was a serious problem. Contingency plans existed it confirmed, but there was no immediate need to speak of rationing. The Ministry did not want people to panic.

However, according to oil industry executives it not only appears certain that rationing will have to be introduced but there is also likely to be a sharp increase in the price of fuel in Israel.

In addition to the loss of Iranian oil, Israel has agreed to give up the Alma oilfield it discovered in the Gulf of Suez when it returns the area to Egypt under a peace agreement. The field supplies 20 per cent of Israel's consumption of 160,000 barrels a day.

The fear is that if it became publicly known just how serious the oil crisis is, there would be widespread public pressure for Israel to take a tougher stand on the future supply of oil from the Gulf of Suez field before handing it back to Egypt.

The Energy Ministry said that it was only too well aware of the problem and that many officials felt Israel should press for an Egyptian commitment to supply oil from Alma.

The most Egypt has said so far on this issue is that it would be willing to consider commercial sales to Israel. It has rejected Israeli demands for a firm commitment on quantities and price.

In the past two days a number of Israeli Cabinet Ministers have spoken about the need to assure Israel's supply of oil from the Alma field before agreeing to abandon it.

Israel is relying on the U.S. to help overcome the critical shortage of oil caused by the Iranian shut-off. In return for Israel's agreement to hand back the Abu Rodeis field in the Gulf of Sinai to Egypt in 1975 America promised to provide Israel with oil if the country could not buy it from normal channels.

Reliance on such a commitment, it is said, may be costly. Israel can still make spot purchases of oil through brokers even though nearly 90 per cent of world oil sources are closed to Israel by the Arab boycott.

CONTENTS OF TODAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

RESIDENTIAL PROPERTY

BOND DRAWINGS

SOCIETE FRANCAISE DES PETROLES B.P.

7% Loan—1968/1980—FF100,000,000.—

BONDHOLDERS ARE HEREBY INFORMED that the amortization of March 1, 1979 for which an instalment of FF.10,996,000 is due, will be redeemed at par as from 1st March 1979.

Following a draw by lot which took place in the presence of Madame Jeanne HOUSSE, huissier de Justice, the following bonds have been selected for repayment:

[illegible]

Redemption will take place as from March 1, 1979, coupons for 1st March 1980 attached at the following Banks: CREDIT LYONNAIS, Luxembourg—CREDIT LYONNAIS, Paris—BANQUE NATIONALE DE PARIS, Paris—SOCIETE GENERALE, Paris—CREDIT COMMERCIAL DE FRANCE, Paris—MM. LAZARD FRERES & CIE, Paris—DRESDNER BANK A.G., Frankfurt—DRESDNER BANK A.G., Hamburg—SOCIETE GENERALE DE BANQUE, Brussels—BANQUE BRUXELLES LAMBERT S.A., Brussels—BANCA COMMERCIALE ITALIANA, Milan—AMSTERDAM-ROTTERDAM BANK N.V., Amsterdam.

BONDS PREVIOUSLY DRAWN BUT NOT YET PRESENTED FOR REPAYMENT:

1st March 1974

39868 to 39867

1st March 1976

[illegible]

1st March 1977

[illegible]

1st March 1978

[illegible]

Amount outstanding after 1st March 1979: FF11,767,000.—

Luxembourg, 15th January 1979.

The Paying Agent
CREDIT LYONNAIS—LUXEMBOURG.

COMPANY NOTICES

M.T.D. (MANGULA) LIMITED
(Incorporated in Rhodesia)

DIRECTORS
Commander H. F. P. Grenfell, D.S.C., R.N. (Retired), Chairman, W. L. Spence*, Deputy Chairman, E. R. Campbell, C.B.E., H. C. Iversent, W. A. Smith*, W. Wilson.
* South African. † German.

CIRCULAR TO SHAREHOLDERS

The Directors are pleased to advise that at the Annual General Meeting held on 23 January, 1979, the Special and Ordinary Resolutions, contained in the Notice to Members included in the Annual Report, were passed without amendment.

The effects of these resolutions are as follows:

1. The authorised share capital has been increased from Rh.$10,000,000 to Rh.$20,000,000.
2. The issued capital of Rh.$10,000,000, consisting of 20,000,000 units of stock of 50 cents each, has been increased to Rh.$20,000,000 by:
   (a) issuing 20,000,000 shares of 50 cents each
   (b) converting the new shares into stock
   (c) consolidating the new stock with the existing stock by increasing the value of a stock unit from 50 cents to Rh.$1.00;
   (d) carrying out the above steps simultaneously, resulting in no new issue of shares;
   (e) absorbing the share premium of Rh.$800,000 and capital reserves of Rh.$9,200,000.

The approval of the Rhodesian Exchange Control Authorities has been obtained to these changes which will come into effect upon registration of the Special Resolution with the Registrar of Companies in Salisbury on 13 February, 1979.

Shareholders should note that the existing stock certificates will remain valid and the number of stock units covered by each certificate will remain unchanged. New certificates reflecting the increased stock unit value will only be issued:
(a) when existing stock certificates are surrendered for transfer or
(b) if required at the specific request of stockholders.

Stock units will continue to trade at the value of 50 cents per unit until 12 February, 1979. Application has been made to the Councils of the Johannesburg, London and Salisbury Stock Exchanges to list the stock units at Rh.$1.00 from 13 February, 1979.

By Order of the Board,
THE MESSINA (RHODESIA) DEVELOPMENT COMPANY LIMITED
Secretaries
Per: A. T. TICKNER.

London.
23 January, 1979.

Transfer Secretaries:
Sagit Trust Limited,
P.O. Box 11,
Salisbury,
Rhodesia.

Central Registrars Limited,
P.O. Box 61042,
Marshalltown,
Transvaal, 2107,
South Africa.

Hill Samuel Registrars Limited,
6, Greencoat Place,
London SW1P 1PL.

EDUCATIONAL

TRAVEL

MOTOR CARS

HOLIDAY ACCOMMODATION

LEGAL NOTICE

No. 00143 of 1979

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of PERMAPRINTS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the winding up of the above named Company by the High Court of Justice was on the 15th day of January 1979 presented to the said Court by IMHOF-BEDCO LIMITED, whose registered office is at 112 New Oxford Street, London, WC1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 19th day of February 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

KINGSFORD DORMAN,
14 Old Square, Lincoln's Inn,
London, WC2A 3UB.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of February, 1979.

COMPANY NOTICE

BEARER DEPOSITARY RECEIPTS representing Preferred Stock of BAXTER-TRAVENOL International Capital Corporation 1st Series Convertible Preferred Stock

A distribution of $0.27 per depositary share, less any applicable taxes depending on the recipient's country of residence, will be payable on and after January 31, 1979 upon presentation of Coupon No. 14 at the office of any of the following depositaries:

MORGAN GUARANTY TRUST CO. OF NEW YORK: NEW YORK: 15 Broad Street (ADR section). BRUSSELS: 35 Avenue des Arts. LONDON: 33 Lombard Street. PARIS: 14 Place Vendôme. FRANKFURT: 44 Bockenheimer Landstrasse.
BANCA VONWILLER S.p.A.: Via Armorari 14 MILAN.
BANK MEES & HOPE N.V.: Herengracht 548, AMSTERDAM.
KREDIETBANK S.A. LUXEMBOURGEOISE: Boulevard Royal 43, LUXEMBOURG.

PORTUGUESE GOVERNMENT 3 PER CENT EXTERNAL DEBT 1902

In accordance with the law of the 14th May 1902 and the Decree of the 9th August of the same year the Sinking Fund instalments due 1st January 1979 have been effected by the Junta do Credito Publico in Lisbon as follows:—

1st Series Bonds
Purchases in the market consisted of 4 bonds of £20.00 each and 3 bonds of £100.00, totalling £380.00. The balance of the instalment was made up by the drawing in Lisbon of 730 bonds of £20.00 each and 260 bonds of £100.00 each, totalling £40,600.00.

2nd Series Bonds
The entire instalment has been met by purchase in the market of 249 bonds of £16.10s.-d. each totalling £4,095.2s.-d. (Decimal equivalent £4,095.10).

3rd Series Bonds
The entire instalment has been met by the drawing in Lisbon of 1,933 interest bearing bonds of £19.10s.-d. each and 134 interest bearing bonds of £39.10s.-d., totalling £71,739.10s.-d. (Decimal equivalent £71,739.50) together with an equal number of non-interest bearing bonds of £4.8s.4d. and £3.3s.4d. respectively, of a total value of £12,173.3s.4d. (Decimal equivalent £12,173.16).

The abovementioned drawn bonds are repayable at par from 1st January 1979 to 31st December 1983 and those drawn by the Portuguese Financial Delegate may be presented for repayment at the Securities Department Coupon Office of BARING BROTHERS & CO. Limited, 88 Leadenhall Street, London, EC3A 3DT, where lists of the numbers of the bonds and lodgement listing forms may be obtained.

EUROPEAN NEWS

Two-day talks on Aegean issues

By Metin Munir in Ankara

THE Secretaries General of Turkey and Greece are to meet in Ankara for two days from February 8 to continue talks on the bi-lateral problems, the Turkish Foreign Ministry announced here.

The two men have been meeting at their alternate capitals periodically since the summit between the Turkish Prime Minister Mr. Bulent Ecevit and his Greek counterpart Mr. Constantine Karamanlis last year.

The topics of the discussion will include the dispute on the jurisdiction of the Aegean Continental shelf—where oil may be found—and the Aegean air space which has been closed by Athens to civilian traffic since the Cyprus war of 1974.

No concrete developments on the problems have occured and none are expected to take place next month. However, these regular get-togethers help to keep tension low.

This new meeting comes at a time when a new chill has crept into the relations between Ankara and Athens over a recent statement by Mr. Karamanlis to his Parliament last week which Turkey saw as indicating his intent to undermine military and economic aid that may be forthcoming from the West.

Mr. Ecevit rejected the resignation of his Minister of Justice, Mr. Mehmet Can who decided to quit under strong pressure from the Prime Minister's left of centre Republican Peoples Party. Two key ministers resigned from Mr. Ecevit's Cabinet this month—the Interior Minister, Mr. Irfan Ozaydinli and the Defence Minister, Mr. Hasan Esat Isik.

Holland marks birth of nationhood

By Charles Batchelor in Amsterdam

HOLLAND YESTERDAY began some 20 weeks of celebrations of the 400th anniversary of the signing of the Union of Utrecht, which marked the founding of the present day Kingdom of the Netherlands.

The event which ultimately led to the founding of one of Europe's most open and stable democracies was a military pact, signed by the northern Provinces and a number of cities in the southern Netherlands, against the Spanish King, Philip II. This defensive bond, signed in Utrecht on January 23, 1579, was maintained after the battle for independence ended in 1648 and formed the basis for the republic of the seven United Netherlands.

The Fl 2.5bn (£630,000) cost of the celebrations have been criticised by protest groups while some left-wing politicians have questioned the presence of the Royal Family at a ceremony marking an event which led to the founding of a Republic. One of the smaller parties, the Pacifist Socialists (PSP), have protested that the Union of Utrecht did not mark the beginning of national consciousness but that it was an agreement among the ruling clique, which, the PSP says, has remained in power ever since.

Chirac proposes annual rotation of Europe MPs

BY ROBERT MAUTHNER IN PARIS

M. JACQUES CHIRAC, the Gaullist leader, yesterday renewed his attack on a supranational Europe and announced that he would present a list of candidates for "the defence of France's interests in Europe" at next June's European parliamentary elections.

The Gaullist leader drew an exceptionally large audience of journalists for his "come-back" news conference, the first since his serious car accident last November in which he broke his thigh. The conference was held in the sumptuous setting of the Paris City Hall, resplendant with crystal candelabra and gold-painted chairs, in an atmosphere carefully designed to ape the Press conferences of the President of the Republic.

Though more moderate in his criticisms of President Giscard d'Estaing's foreign policies than he has been in the recent past, M. Chirac in no way modified his basic position.

He stressed once again that the guarantees contained in the Treaty of Rome against an extension of the European Parliament's powers were insufficient to prevent the development of a supra-national Europe.

Every day, the Brussels Commission was issuing directives over which national administrations had no control and the European Parliament had not even waited to be elected by universal suffrage before amending the budgetary provisions adopted by the European Council.

Europe had already embarked on a process of integration harmful to French interests, M. Chirac said. The Gaullist RPR Party was in favour of European unification, but the kind of Europe it wanted to see was one in which the national independence of member states was preserved.

M. Chirac's proposal to present his own list of candidates for the European elections, which he confidently expects to be endorsed by the RPR Party, was complemented by the somewhat bizarre provision that the successful candidates on his list should resign after one year and should be replaced by others on the same list.

Since the elections will be held under a system of proportional representation in France, and since each political group will present a list of 81 candidates, of which only some 15 to 20 can hope to be elected, M. Chirac foresees a system of rotation between all the names on the list during the life of the European Parliament.

The Gaullist leader claimed that this would not be illegal because the texts governing the European elections allow members to resign for ill-health and other personal reasons and to be replaced by other candidates on the list. But it is clear that his proposal will run into strong criticism from all sides for being contrary to the spirit of the European elections.

Meanwhile, M. Jacques Chaban-Delmas, the Gaullist president of the National Assembly, Mayor of Bordeaux and former Prime Minister, suffered a severe setback yesterday when he was defeated in the election for president of the Aquitaine Regional Assembly by a Socialist, M. André Labarrère. M. Chaban-Delmas had been president of the Aquitaine Assembly since its creation in 1974.

Bank fraud inquiry urged

BY DAVID WHITE IN PARIS

EMPLOYEES of Credit Lyonnaise, France's second largest commercial bank, are pressing for a Government inquiry into the fraud case which the bank admitted last week had cost it FFrs 37m (about £4.5m).

Four leading unions yesterday called an employees' meeting for Friday in protest at what their leaders describe, as slowness in investigating the case.

The state-owned Credit Lyonnais has said that one or more of its staff dealing with portfolio management and foreign investment appeared to be the source of irregularities which came to the surface in December.

One staff member has been suspended without pay pending inquiries in France and abroad. The loss is understood to have taken place largely in the London market. No charges have been brought so far.

The bank said the loss, amply offset by provisions, would not affect the interests of clients. The unions have attacked management "silence" on the issue, which first became public knowledge through union officials.

The Communist-dominated CGT union claimed yesterday to have evidence suggesting that a British investment analyst whose name has been linked with the case, had received financial compensation when he left the bank and disappeared at the end of last year.

Madrid and Lisbon hit by strikes

BY ROBERT GRAHAM IN MADRID

THE START of a three-day strike by Madrid refuse collectors and stoppages by gas-workers yesterday highlighted the state of industrial unrest throughout Spain over claims for higher wages.

So far strikes have affected a broad range of industry, especially the motor sector, as well as services.

They are being pressed by the main trade union organisations to test the Government's wage ceiling of 14 per cent, which was imposed by decree last month. The strikers are seeking rises of between 12 per cent and 16 per cent.

The Government drafted Police Academy cadets yesterday to provide an emergency refuse clearance service in the capital. Skeleton crews manned gas installations after warnings by the authorities that, if an accident occurred, the workers responsible would be imprisoned.

Meanwhile a strike by 14,000 workers at Chrysler, which began eight days ago, is expected to be settled soon, within the Government guidelines.

Jimmy Burns adds from Lisbon: A wave of partial strikes is expected today in Lisbon's main industrial area and in the southern agrarian belt of the Alentejo in protest at the return of agricultural land to private ownership.

The stoppages are backed by Portugal's main trade union, the Communist-dominated Confederation of Portuguese Workers. The protest comes after claims by left-wing farmworkers that the Government has destroyed 24 collectives during the past year.

About 250,000 acres of land seized during the forced expropriation of 1975 are believed to have been handed back to the previous owners.

EEC, Canada study steel costs

BY GILES MERRITT IN BRUSSELS

EUROPEAN AND Canadian steel manufacturers have agreed to begin work on a co-operative research programme that could cut total EEC steel production costs by about $90m a year in the 1930s.

To be co-ordinated by the British Steel Corporation (BSC), the three-year research drive links steel companies in six Common Market countries with two Canadian steelmakers. It is aimed at making types of cheaper non-coking coal usable in iron-making blast furnaces and, according to EEC Commission experts, could result in a saving of $2m a year in a major blast furnace producing 2m tonnes of pig iron a year. The European Community's pig iron output is currently estimated at around 90m tonnes a year.

The choice of Canada as a partner in the $1m research was partly dictated by the need to flush out the 1976 EEC-Canada framework agreement on economic and industrial co-operation, but also reflects the European Coal and Steel Community's interest in Canada's large iron ore deposits.

The two Canadian steel companies involved, which account for 52 per cent of the country's steel output, are Dominion Foundries and Steel (DOFASCO) and Algoma.

The EEC member countries involved are Belgium, France, West Germany, Holland, Italy and Britain, where research into blast furnace efficiency and coke behaviour was originally launched.

Austria plans tax reform

By Paul Lendvai in Vienna

A SPECIAL commission will begin work on a thorough reform of the Austrian tax system aiming at a general reduction in the current tax rates by eliminating various privileges and exceptions.

Announcing this, the Finance Minister Mr. Hannes Androsch said the changes proposed by the Commission would come into effect in 1980/81.

The concessions include the introduction of interest on tax assets which accumulate if the tax paid in advance by the tax-payer turns out to have been larger than the rate levied on the actual earnings. Hitherto the surplus was merely deducted from next year's taxes.

Meanwhile, the punitive interest paid on tax arrears will remain at a rate 3 per cent over the ruling discount rate. At the end of 1978 for example tax debts amounting to Sch 9.85bn and tax assets of Sch 4.2bn.

Meanwhile Mr. Androsch also spoke out in favour of a 1 per cent cut in the Bank Rate from 4.5 per cent to 3.5 per cent. The Bank Rate was last reduced on June 29 last year by 1 per cent from 5.5 per cent to 4.5 per cent.

The Minister claimed that an across-the-board 1 per cent cut on the cost of borrowing would save the economy some Sch 5.5bn. However, he conceded today that balance of payments considerations would suggest only a cut of ½ per cent. A final decision will be taken tomorrow by the General Council of the Central Bank.

The so-called basic rate on saving deposits is likely to remain unchanged at 4 per cent. Currently, however, only one-quarter to one-third of deposits benefit from the basic rate. In the highly competitive Austrian market many banks offer interest up to 7 and in case of large deposits even to 8 per cent.

Second spy evades arrest in Germany

By Adrian Dicks in Bonn

A SECOND alleged East German spy seems to have managed to dodge the West German Federal Criminal Bureau (BKA) in the course of the wave of arrests last weekend that followed the defection of an East German intelligence officer to the West.

Herr Johannes Koppe, a nuclear physicist working for the Hamburg electric utility, apparently received an urgent warning from East Berlin, which gave him just enough time to flee before BKA men arrived at his flat.

Last week the BKA failed to stop the escape of Herr Reiner Fuelle, an accountant at a Karlsruhe nuclear plant, from a car taking him to a remand prison. The two incidents are likely to revive public criticism of the BKA, which has been accused of serious bungling in past terrorist cases including the Schleyer kidnapping in 1977.

Meanwhile, there were attempts yesterday to play down the significance of the information betrayed to the East Germans by the latest batch of spies. Besides Herr Koppe and Herr Fuelle, they included a Goettingen professor of metallurgy, a physicist in the solar power division of the aerospace company Messerschmidt-Boelkow-Blohm, an engineer at Siemens and a company director in the computer business.

According to the West German prosecutors in the case, the six men did not form a "spy ring" of the kind smashed in the Defence Ministry in 1977, and whose leading members are currently on trial in Duesseldorf.

Japan N-waste unloaded in Cherbourg

PARIS — The first cargo of nuclear waste to be sent to France by Japan under a controversial deal was unloaded in Cherbourg yesterday and was later on its way to a nearby reprocessing plant, officials said.

Six containers of irradiated nuclear fuel were unloaded from the 3,000-ton, British-registered vessel Pacific Fisher, despite overnight attempts by ecologists to block the operation, they said.

More than 3,000 demonstrators tried to stop the unloading of the cargo, but they were dispersed by gendarmes and riot police using teargas and water cannons.

Under the FFr3.5bn (£413.46m) contract, in which Britain also has a share, France has undertaken to reprocess 1,600 tonnes of spent fuel from Japan's nuclear power stations at its La Hague reprocessing plant in Normandy. Britain is due to reprocess a similar quantity at Windscale in Cumbria.

Strict safeguards have been written into the agreement over the use of plutonium—the key element in nuclear weapons—extracted during reprocessing.
Reuter

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POPE JOHN PAUL'S PLANNED VISIT TO POLAND

The uninvited guest

Pope John Paul's intention to commemorate the martyrdom of Sain Stanislaus in his native Poland has set the alarm bells ringing among Eastern European Governments. As the Soviet Foreign Minister meets the Pope for talks in Rome today, Christopher Bobinski, Warsaw Correspondent, explains why the visit has become a matter of international diplomacy.

TODAY'S MEETING in the Vatican between Pope John Paul II and Mr. Andrei Gromyko the Soviet Foreign Minister will certainly be more than an ordinary protocol visit. The new Pope comes from Poland, the second largest country in the Soviet bloc, with a powerful Catholic Church almost 20,000 clergy strong and claiming the allegiance of over 80 per cent of the population making it a key element in any Soviet policy towards believers in Eastern Europe.

But the question that is being asked in Poland as the two men meet is whether the Pope will come here next May and if so what form the visit will take.

The Polish authorities have rebuffed Papal visits in the past and such a trip would be unprecedented in the history of Communist countries. But Communist countries have never before produced a Pope from among their own subjects. The Pope wants to celebrate the 900th anniversary of the martyrdom of St. Stanislaus, once Bishop of Krakow, the Pope's old diocese, who was killed by the King at the time for opposition. St. Stanislaus is seen by the Church in Poland today as a symbol of its right to speak out when it feels that the rights of the population are being threatened.

With the prospect of many Christians from Czechoslovakia, Hungary and East Germany coming to Krakow, in addition to the intense interest which the event will generate among believers in the Soviet Union the Soviet Foreign Minister will want to sound out the Pope on how he intends to treat the visit.

Mr. Gromyko will have had some indication from the letter sent by ex-Cardinal Wojtyla (now Pope) to Krakow, to be read in all the churches of the arch-diocese at Christmas Midnight Mass, in which he indicated that he had little intention of underplaying the significance of the martyred bishop. He wrote: "We can see in St. Stanislaus, speaking in contemporary language, a spokesman for the most important human and national rights, those rights on which man's morality and his true freedoms are based."

The Polish authorities have expressed their displeasure by censuring the Pope's letter when a Krakow independent Catholic weekly tried to publish it in its Christmas issue. But the publicity in the international media and the indignation which the incident aroused here caused them to think again and now the authorities are blaming the misguided zeal of a local censor.

In another conciliatory move the State has approved the Church's nomination of Father Franciszek Macharski, a man very much in the Wojtylo mould, as the Archbishop of Krakow in record time.

The future of the Vatican's Ostpolitik will be another question which the Soviet Foreign Minister will want to clarify. There are suggestions from official sources here that the chances of a Papal visit would be enhanced if the Church were to rearrange the boundaries of those diocese in eastern Poland which overlap into the Soviet Union so that they corresponded with the post-war frontier. But the Church finds it difficult to see what guarantees the Soviet authorities could give on improving the lot of Soviet Catholics that would make such a concession worthwhile.

For the moment the Polish Church, acting no doubt in concert with the Vatican, has adopted a more strident tone on the subject. The 400th anniversary celebrations of the founding, by a Polish Catholic monarch, of the university in Wilno now in Soviet Lithuania were held in St. John's Cathedral in Warsaw late last year. This was in marked contrast to the low-key celebrations which the Church organised in 1977 to commemorate the anniversary of the foundation in the Middle Ages of Lwow diocese now in the western Ukraine.

The prayer which Polish bishops have written to be said in a day of prayers for Pope John Paul II scheduled for February 2 is even more instructive. Congregations in churches throughout Poland that day will be praying that "the Pope from the East . . . should not only aid Catholic Poland but the whole of the East" and "for freedom for the Church in those countries where it is oppressed. . ."

The question the authorities have to decide is whether to treat the visit as a private one or as a State visit and have some of the Pope's popularity rub off on them. The latter course was finally chosen when the Pope was elected last October and after some hesitation the authorities decided to treat the event as their success as well.

Certainly the advantages of this approach are evident not least in that it gives the authorities a chance of having some influence over what the Pope says when he comes.

The chances are that the Soviet authorities will take a pragmatic line on the question of the visit next May. It will cause problems when it happens but it does seem that the problems which would arise if it were not permitted would be much greater.

40% of U.S. debt funded from overseas

By Jurek Martin in Washington

MORE THAN 40 per cent of the U.S. Government's official debt has been financed by borrowings from overseas during the past two years. Principal investors in U.S. securities have been the oil-producing nations, especially Saudi Arabia.

Although the extent of their purchases hasbeen more or less public knowledge for some time, official U.S. indebtedness to them, disclosed in the fiscal 1980 budget, is bound to cause some surprise in Washington.

In one sense, foreign buying of U.S. Government securities — which last year accounted for \$25.4bn of the \$59.1bn raised in total — helps the Administration, since it relieves a certain amount of pressure on domestic financial markets.

Foreign purchases of U.S. debt have grown steadily over the past decade: at the end of the 1960s they held less than 5 per cent of U.S. obligations. According to the budget, of the \$610.9bn of outstanding U.S. official debt, foreigners held \$121bn, about 20 per cent of the total.

Nominally, the U.S. Government will, according to the budget, need to raise only \$40bn in this fiscal year, and \$39bn in fiscal 1980, compared with \$59.1bn in the fiscal year ending last September. However, the reduction may be somewhat illusory, since the Treasury intends to run down sharply its cash balances, which have been kept at unusually high levels, and, of course, will continue its regular gold auctions.

Taiwan resolution

Congressional supporters of President Carter's China policy are to introduce a resolution reaffirming U.S. concern for Taiwan's security, to undercut more strongly stated conservative resolutions in favour of Taiwan, David Buchan writes from Washington. Senators Edward Kennedy and Alan Cranston, who support the new ties with Peking, have said they will sponsor a Senate resolution calling any armed attack on Taiwan "a danger to the stability and peace of Asia," requiring the President to inform Congress promptly of any threat to Taiwan, and supporting the continued sale of defensive weapons to Taiwan.

Mercedes-Benz acts to protect its truck market

BY JOHN WYLES IN NEW YORK

THE MOVE by Mercedes-Benz, a subsidiary of Daimler-Benz AG of West Germany, to establish a truck assembly plant in the U.S. reflects the company's resolve to protect and build on its position as the largest seller of foreign-made diesel-powered trucks in the U.S. market.

The West German company's growth prospects here have been increasingly clouded, both by the diesel-manufacturing plans of U.S. truck producers and also by the ambitions of other European companies, which began to become excited last year by the growth potetnial of the U.S. market for medium-duty diesel-powered vehicles. No fewer than five other European companies assembled and announced battle plans aimed at securing significant sales of these trucks in the U.S. Damler-Benz modestly but solidly established in the U.S. market since 1970, clearly began to feel it was being pursued.

In New York yesterday, the company's executives appeared confident that they could stay one step ahead of their rivals, principally Fiat and West Germany's KHD, through their joint venture Iveco, Volvo, Machinenfabrik - Augsberg - Nuernberg (MAN) and Renault.

There has long been speculation that the parent company, Diamler-Benz AG, would eventually establish a plant on the U.S. mainland, not least because it was increasingly obvious missing link in the web of nine production plants and 28 assembly facilities which the world's largest diesel truck manufacturer has established around the world.

But Daimler-Benz is famed for its caution and conservatism, and each step down the path to Hampton, Virginia, has been taken with prudence and care. Although a Daimler truck was manufatcured in the U.S. at the turn of the century by William Steinway, whose historical expertise is more associated with pianos, the company's more recent activities date from 1969. After a marketing programme on the east coast of the U.S., the company began importing eight models from West Germany, marketing them on a sales territory which had grown to 39 dealers in 16 states by the end of 1972.

The slide of the dollar against the mark in 1973 prompted the decision to switch the import source from West Germany to Brazil, Daimler-Benz's largest foreign-based manufacturing subsidiary. Two things of relevance to yesterday's decision have happened since then. The first is that Mercedes-Benz's wholesale sales of medium-duty diesel trucks have steadily climbed, to reach 2,607 last year, and are hoped to reach 3,700 this year. At the same time, it has become apparent that the diesel-powered sector of the market for these trucks, whose functions range from school buses to long-distance transport of heavy goods, has been greatly expanded by rising fuel costs. The diesel engine offers significant operating economies, and International Harvester has calculated that diesel engines, which accounted for about 8 per cent of the class 6 medium-duty market last year, will capture 15 per cent by 1980 and 35 per cent by 1985, or approximately 70,000 out of a total market of 200,000.

Since the overall unit growth of this market will be slender, diesel power is an obvious choice—a fact which has also been spotted by U.S. manufacturers, who have their own plans for curbing European competition.

THE CITIBANK TAX INQUIRY

A sacked banker and the intricate world of currency dealings

BY DAVID LASCELLES IN NEW YORK

A lawsuit alleging wrongful dismissal filed by Mr. David Edwards, a former Citibank employee, has helped spark off an investigation by the Swiss and other government authorities into possible tax irregularities at New York's largest bank. Mr. Edwards' case, which throws light on the complex world in which international banks operate, centres on his allegation that he was fired because he tried to uncover questionable foreign exchange dealings by Citibank's European branches.

THE RECENT disclosure by Citibank, New York's largest bank, that the Swiss and other "foreign governmental authorities" are *looking into its affairs* for possible tax irregularities is the latest in a whole chain of events triggered off by what has come to be known as the Edwards case, one of the most highly publicised lawsuits to have occupied Wall Street for a long time.

The case is all the more remarkable for the fact that it has not even reached the courts. Yet under America's relaxed sub judice rules, much of the evidence has already been given a good public airing, not least by Citibank itself, and the bank's board even added to the excitement by commissioning an investigation of the facts behind the case and publishing the results.

News of the case also filtered down to Washington where the SEC, the Comptroller of the Currency and two Congressional committees opened investigations of their own.

It all began six months agoo when Mr. David Edwards, a former member of Citibank's international staff, filed a suit in the New York Supreme Court alleging that he was wrongfully dismissed by the bank last February, and claiming \$14m in damages.

The thrust of Mr. Edwards' case is that he was fired because he tried to uncover what he alleges were questionable foreign exchange dealings by Citibank's European branches. The charges are highly technical. But as detailed in voluminous court papers filed last July, they accuse Citibank of trading foreign curencies at artificial rates of exchange so as to shift profits out of Europe to the Bahamas and New York for tax reasons.

The court papers go on to claim that these alleged practices involve "violations of the tax and foreign exchange laws of the countries in which many of Citibank's European-based branches conduct their business and constitute illegal payments because of their corrupt purpose of violating the laws and regulations of foreign countries . . ."

Attached to the charges are photocopies of what Mr. Edwards claims are internal Citibank memos purporting to show that these practices were approved and coordinated at high levels within the bank.

Citibank's immediate reaction was to deny the charges outright (though it acknowledges Mr. Edwards was fired) and file court papers of its own demanding that they be dismissed. But in view of the publicity surrounding the case and its potentially damaging effect on the bank's reputation, Citibank asked its lawyers, Shearman and Sterling, and its accountants, Peat, Marwick, Mitchell, to conduct an "outside investigation" and report back to the audit committee.

This they did in November. But instead of clearing Citibank of any misconduct, they said "certain specific transactions were identified where local counsel concluded that a challenge by local tax authorities involved a high probability of success on their part." The 115-page report noted specifically that Citibank might have infringed the law at its Paris, Frankfurt and Zurich branches.

According to the report, the issue hinges on the practice known as "parking," a word which crops up frequently in Mr. Edwards' court papers. In a typical parking procedure, a bank branch trades a foreign currency position with a branch in another country, usually with an agreement to reverse the position later.

This frequently happens when a branch expects to end the day with a foreign exchange exposure that exceeds or in some other way contravenes local regulations. So it temporarily "parks" the position overnight with a branch that can take it.

Banks also use the highly flexible world of foreign exchange transactions to transfer their business from one country to another for tax and other reasons, the report said.

Citibank's investigators concluded that parking is generally perfectly legal so long as transactions are conducted at arm's length, that is, at prevailing market rates and with both parties to the deal assuming full responsibility and risk for their actions.

However, problems arise when branches trade currency across borders at non-market rates because, the report says, "as the arm's length quality of the transaction declines, the likelihood of tax liability accruing to the transferor branch is increased."

With this principle established, the report said it uncovered several instances where Citibank branches had parked or transacted foreign exchange among themselves at non-market rates. And in the case of the Zurich branch's activities which are now under scrutiny, the report concluded: "The use of exchange rates that are above the prevailing market range in contracts with other Citibank branches conflicts with the arm's length principle and may therefore be inconsistent with Swiss principles of taxation."

In releasing this report to the public, Citibank acknowledged that it showed some of its European branches might have infringed local tax and foreign exchange laws. But it defended itself by claiming that these were now so complex that no institution could hope to avoid transgressions at some time or another.

The bank then offered to discuss its tax liabilities with the countries involved, revealing a few days later that the Swiss had opened talks.

However, Citibank stressed that the report found no evidence of concerted wrongdoing, which meant that while the investigators uncovered practices similar to those alleged by Mr. Edwards, they did not support his main contention that Citibank had developed a deliberate policy of tax evasion. (It did state, though, that Citibank decided to start parking transactions in Nassau and New York for tax avoidance purposes).

Mr. Edwards subsequently issued a statement saying "I am glad that Peat, Marwick, Mitchell have raised the very points I was fired for raising."

However, having bared its affairs to the public, Citibank then moved — successfully — to ensure that any new evidence stays secret. It asked for, and got, a court ruling that so-far undisclosed evidence should be sealed, and the court hearings held in camera on the grounds that the case involves confidential information.

Mr. Edwards said he may appeal that ruling. Meanwhile he has moved out to Long Island to prepare his evidence with the help of a law firm famous for handling cases where individuals take on giant organisations.

A personable but tough-minded 34-year-old bachelor from Texas, Mr. Edwards started his working life in London in the early 1970s where he went to write a study of the budding Eurodollar market.

In 1972 he moved across to Citibank, and in 1974 became a member of its international staff, serving in several of the bank's European offices.

The origins of his lawsuit date from 1975 when he was working in the Paris branch and uncovered what he believed to be questionable foreign exchange dealings. As his court papers describe it, he followed these up and discovered more such dealings at other branches. He tried to get them investigated, but he alleges that the bank's management refused to give him a proper hearing, and this precipitated the crisis which led to his dismissal last February.

Although he now spends most of his time on his case and on consulting on export finance, his fame is already such that he is in demand as a public speaker—on corporate responsibility. He has also been invited down to Washington to testify before a couple of Congressional committees and the Justice Department.

Clark rules out Quebec sovereignty association

By Victor Mackie in Ottawa

MR. JOE CLARK, the Progressive Conservative leader, has rejected sovereignty association between Quebec and the rest of Canada, as conceived by Mr. Rene Levesque, the Quebec Premier, and has ruled out negotiation on it.

"We are not going to negotiate sovereignty association. We are going to keep this country together. We do not accept sovereignty association," he told reporters just before the Canadian Parliament resumed sittings after its long Christmas recess.

Mr. Pierre Trudeau, the Prime Minister, throughout the recess has been saying the Conservatives were prepared to negotiate sovereignty association.

Mr. Clark said on Monday, after a four-hour party caucus, that a Conservative federal Government would be willing to talk to the Quebec government about "change and modernisation" of the relationship between Ottawa and the provinces.

"We would be naturally prepared to discuss other changes that would keep the country together, but that might change the status quo."

He made his comments after Mr. David Crombie, a new MP and former Mayor of Toronto, received widespread publicity by saying that federal politicians should be willing to negotiate with the Quebec government. Mr. Trudeau is determined to make national unity and Quebec's proposal for sovereignty association the main issue in the federal election this spring.

Meanwhile, Mr. Edward Schreyer was installed as Canada's twenty - second Governor-General on Monday.

The Governor-General's inaugural speech was the most politically charged ever delivered by a Canadian Governor-General. He urged Canadians to remain united while preserving differences of language, culture and heritage. He also issued a challenge to those who opposed "the preservation of one Canada."

U.S. COMPANY NEWS

Change of strategy boosts Xerox: Cooper Industries to buy stake in Gardner-Denver; Fourth quarter loss for TWA —Page 24.

OVERSEAS NEWS

Japanese growth forecast questioned

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE JAPANESE economy will probably grow at rates of no more than 5 per cent in the next year or two although the Government hopes for 6 per cent or more, according to a report by the Keidanren, the Japanese Federation of Economic Organisations.

A slightly higher rate may be possible towards the end of the coming five years, the Keidanren says. However, this will depend on when and how a series of domestic problems are settled.

Among the obstacles to higher growth the Keidanren lists rigid official taxation and fiscal policies coupled with the high costs of an uneconomic agricultural policy and of inefficient publicly owned transport. The Keidanren, which is usually regarded as the most powerful association of private businessmen in Japan, takes the view that the economy should recover under its own steam from the early 1980s if these and other obstacles are removed.

The Keidanren's vision of a 5 per cent growth rate in the near-term followed by slight acceleration thereafter contrasts with a Government forecast that GNP will grow about 6 per cent in fiscal year 1978, ending next March, and by 6.3 per cent in fiscal 1979. Japan originally adopted a 7 per cent forecast for the current fiscal year but scaled this down to 6 per cent after Mr. Masayoshi Ohira took over as Prime Minister from Mr. Takeo Fukuda last December.

Officials at the Economic Planning Agency claim that the economy's recent performance points towards attainment of the 6 per cent target. However, a close look at recent indicators suggests that this is in fact unlikely.

The GNP would need to have recorded a quarter-to-quarter growth rate of 2.2 per cent in real terms during the final 1978 quarter and the first quarter this year in order to hit 6 per cent for the fiscal year as a whole.

A 2.2 per cent growth rate for the final quarter of last year would represent a sharp acceleration from the previous quarter's rate of 1 per cent and is officially regarded as being "near the upper limit of possibility." Growth in the first quarter of 1979 is expected to be somewhat less than during the final quarter of 1978 because of an anticipated slow down in housing development and public works expenditure.

Government officials believe that public works spending, because of the limited size of the 1979 budget, will play a less important part in stimulating the economy in fiscal 1979 than it has done in the current fiscal year. But the depressing impact of this will be cancelled out by a "flattening" of the export trend, meaning that the overseas sector will no longer be making a negative contribution to economic growth as it has done in 1978.

A slight revival in consumer demand and private investment is expected to tip the economy towards a marginally higher growth rate than in 1978, resulting in the fulfilment or near-fulfilment of the target of 6.3 per cent growth.

This scenario is apparently not accepted by the Keidanren. But the organisation probably would not disagree that the business climate in Japan is beginning to improve despite continuing relatively slow growth.

Officials at the EPA ascribe this partly to a marked improvement in profit levels. This should enable companies to pay larger wage increases to their workers in 1979 than in the recent past but this will not result, the EPA says, in a higher margin of across-the-board increases during the spring settlement period. What will happen instead is that employers will pay out larger summer and winter bonuses.

India Cabinet changes

By K. K. Sharma in New Delhi

The seven-month political crisis in India is expected to end today with the swearing in of Mr. Charan Singh as Deputy Prime Minister in charge of the Finance Ministry. Mr. Jagjivan Ram, the Defence Minister, is also to be promoted to Deputy Prime Minister but his position in the Cabinet will be below that of Mr. Singh. A Cabinet reshuffle is expected within a few days.

The crisis in the Cabinet and the ruling Janata Party began last July when Mr. Morarji Desai, the Prime Minister, obtained the resignation of Mr. Charan Sing, who was then Home Minister. This followed a statement by Mr. Singh that the Government's failure to take action against Mrs. Indira Gandhi, the former Premier, had given the impression that the Cabinet was made up of "impotent men."

The prolonged efforts made since July to patch up the rift in the party led to frequent wrangling among senior Ministers and party leaders and has tarnished Janata's image. This has been exacerbated by the growing impression that the party quarrels are due to personal ambitions rather than *policy or ideological differences.*

While peace efforts repeatedly failed, Mr. Singh constantly threatened to openly split the Janata Party by withdrawing the Bharatiya Lok Dal (BLD—Indian People's Party) faction from it. The influential BLD is Mr. Singh's creation and has its base among the farmers of the Hindi-speaking northern belt.

Mr. Desai's resistance to Mr. Singh's return to the Cabinet was broken by mediators belonging to other Janata factions

Initially, Mr. Singh was reluctant to agree to Mr. Jagjivan Ram being made a Deputy Prime Minister but gave in to dispel the impression that he is opposed to the Harijan (untouchable) community to which the Defence Minister belongs.

Israel warns of retaliation

BY DAVID LENNON IN TEL AVIV

ISRAEL THREATENED yesterday to escalate the war against the Palestinians both inside Israel and in Lebanon as unrest increased among Israeli Arabs and Palestinian rocket attacks from Lebanon continued to disrupt life in northern Israel.

Mr. Moshe Dayan, the Foreign Minister, warned Palestinians living in Israel that their support for the Palestine Liberation Organisation (PLO) could lead *to their becoming refugees,* as happened to many Arabs in 1948. If they were unwilling to live in peace with the Jews "they will have to pay for it very dearly."

He also said that Israel must build more Jewish settlements on the occupied West Bank and Gaza Strip and continue to hit Arab bases across the border.

His remarks, made in an address to a Jewish fund-raising organisation in Jerusalem, were a response to events of the past fortnight in which the Arab Student Organisation and the chairmen of more than half the Arab local councils inside Israel have passed resolutions of solidarity with the PLO and of support for the struggle of the West Bank and Gaza Arabs against Israeli annexation.

This is the first time that organisations representing the Arabs who have lived inside Israel since 1948 have expressed support publicly for the PLO.

Mr. Ezer Weizman, the Defence Minister, said that if Palestinian rocket attacks on northern Israeli towns and villages continued Israel would hit civilian targets inside Lebanon. He added that Israel had superior fire power to the Palestinians.

Before he spoke, a salvo of Palestinian rockets was fired from Lebanon into northern Israel early in the morning, sending people into the shelters. One rocket hit a school in Kiryat Shmoneh which had been evacuated only minutes earlier. Other buildings were damaged but there were no reports of casualties.

Israeli artillery responded by heavy shelling of targets in Southern Lebanon, but in the early afternoon more rockets were fired at the northern Israeli town of Metulla.

Fatah out to avenge killing

BY IHSAN HIJAZI IN BEIRUT

EL-FATAH, the guerrilla movement's main organisation, has vowed to avenge the assassination of one of its leaders, Mr. Abu Hassan Salameh, who was killed here on Monday in a bomb explosion.

In a statement, Fatah accused Israeli intelligence agents of responsibility and said that the *killers will not go unpunished.*

Nine persons, including four of Mr. Abu Hassan's body guards, were also killed in the electronically-detonated blast while 18 people were wounded. It occurred only a few metres from where the dead guerrilla leader had his residence.

Abu Hassan was at the top of Israel's most wanted list for his alleged part in the killing of Israeli athletes during the Munich Olympics in 1972. The Palestinian news agency, WAFA, gave biographical notes about Mr. Abu Hassan and said that he was responsible ofr Fatah's worldwide "special operations."

Abu Hassan was reputed to have been one of the leaders of the "Black September organisation" which claimed responsibility for the "Munich massacre" and for the assassination in Khartoum of the American ambassador, his counsellor and the Belgian ambassador in 1973.

Observers recall that the assassination of three guerrilla leaders here in 1973 at the hands of Israeli commandos led to subsequent guerrilla suicide missions against the Israeli towns of Maalot and Kyriat Shmoneh across the border with Lebanon a few months later.

Abu Hassan's assassination came at a time the guerrillas and Israel escalated open hostilities between them. Monday's incident was seen by observers as part of Israel's reprisals against the recent wave of explosions in Jerusalem. Last week, Israeli soldiers crossed the border into Lebanon and attacked palestinian positions.

Since then, Southern Lebanon has been subjected to daily artillery duels which have inflicted heavy damage, sent *the local population fleeing to* safer grounds and caused deep worry in government circles here.

The shelling is between the guerrillas on the one hand and Israel and their Christian *militiamen allies on the other.*

Lebanese officials have been engaged in the past two days in consultation with ambassadors of the big powers here on the situation in the South. Reports in the press said the government may call the UN Security Council to an emer*gency session.*

● **Louis Fares in Damascus adds:** The 14th session of the Palestinian National Council (PNC) ended at dawn yesterday without having succeeded electing a new PLO executive committee.

The major purpose of this ses*sion was to promote Palestinian* National Unity through endorsing a joint political programme and reintegrating the PFLP of Dr. Habash in the PLO leadership.

The PNC approved the joint political programme, made decisions on how to deal with financial issues, rejected the Camp David accords, set up a joint military leadership and decided to resume the Jordanian-Palestinian dialogue from the start.

WORLD TRADE NEWS

Rig sinking clouds UK export hopes

By Kevin Done

THE DEPARTMENT of Energy is concerned that the export prospects of the UK offshore supplies industry could suffer lasting damage from the sinking 12 days ago in the North Sea of an £11m oil production platform bound for Brazil.

Dr. Dickson Mabon, Energy Minister, has called in representatives of Oceanic Contractors, the towing company, to explain how the platform capsized and sank in a Force 10 storm about 30 miles off Hartlepool.

Oceanic Contractors is a subsidiary of J. Ray McDermott, the U.S. company which was also responsible for building the platform at its Ardersier yard near Inverness. The Minister has still to be satisfied that the correct action was taken before the tow was started.

The Government, which has been working hard to promote the interests of the supply industry in the developing offshore oil markets of Brazil, Mexico and Venezuela, has clearly been embarrassed by the sinking—because it was the first overseas order.

The platform was ordered by Petrobras, the Brazilian state oil company for its Namorado Field. Petrobras has just awarded the contract for its latest offshore platform jacket to a Brazilian company, Montreal Engineering, a joint venture with Micoperi of Italy.

Brazil curbs state imports

By Diana Smith in *Rio de Janeiro*

BRAZIL'S multi-billion-dollar budget State enterprises—oil, electricity, steel, fertilisers, petrochemicals and mining, among others—are to have imports tightly regulated.

A decree signed by outgoing President of the Republic, General Ernesto Geisel, calls for a ceiling on State imports once ministries responsible for the public enterprises have supplied lists if import plans for 1979 and subsequent years.

Furthermore, imports of equipment, raw materials, services and other items will not be allowed if a Brazilian counterpart exists. Before placing import orders, the public enterprises must inform the State-run Foreign Trade Bureau, which will check availability, or otherwise, of national counterparts.

Heralding attempts to increase trade with ALALC—the Latin American Free *Trade Association—the decree* exempts State imports from member countries from the new restrictions.

Meanwhile, Brazil's Economic Development Council has set a $1.48bn ceiling on 1979 imports benefiting from State financial assistance in the form of tax exemption.

This includes imports of computers and data processing material, capital goods, civil aviation material and material for regional bodies.

The State oil monopoly, Petrobras, has announced that, in 1979, it will purchase $2.5bn worth of equipment from *national manufacturers.*

Petrobras has encouraged rapid development of Brazilian onshore and offshore equipment industries which have absorbed foreign technology.

Soviets seek Western bids for $1bn 'sour' gas plant

BY DAVID SATTER IN MOSCOW

THE MACHINOIMPORT Soviet foreign trade organisation has called for bids from six western consortia for construction of a massive "sour" high sulphur gas processing complex in the southern Volga region near Astrakhan at a cost of about $1bn.

The consortia involved are Partec-Lavalin and Creusot Loire, Davy Powergas, Alberta Gas Trunk, Mannesmann and Lurgi, Technip and S.N.P.A., Occidental Petroleum, Nippon Steel and Fluor and Mitsubishi and Parsons.

The contract will be for wellheads, drilling equipment, "scrubbing" plants to separate hydrogen sulphide, carbon dioxide and other impurities, pipelines, pumping stations and control systems for a complex able to process 6bn cubic metres of efflux per year, half of it natural gas.

The sour gas development plan is to be one of the major projects of the next five year plan. Soviet officials do not know the full extent of the Astrakhan reserves but a preliminary estimate places them at 6,000bn cubic metres of natural gas and hydrogen sulphide, carbon dioxide, methane and propane.

The deposits are located near populated areas so a large part of the cost of the project would be to install safety equipment to prevent the dangerous release of large quantities of hydrogen sulphide.

The intention is that the gas fields would be fully automated and computer controlled with the carbon dioxide separated for subsequent use in gas lift oil recovery and the hydrogen sulphide separated for ultimate use in the production of steel.

The Soviet Union has the largest natural gas reserves in the world and a final decision on exploiting the Astrakhan sour gas deposits will rest on the comparative expense of developing these deposits in the light of the elaborate safety and purification equipment required, versus developing the remote gas deposits in uninhabited areas of western Siberia.

The Soviet side would supply labour and infrastructure but the project would still be the largest sour gas exploitation programme ever undertaken and could give rise to a concomitant demand for large numbers of pipe-laying machines, bulldozers and other types of construction equipment.

GATT counterfeit code dispute

BY BRIJ KHINDARIA IN GENEVA

U.S. PROPOSALS to include a code penalising commercial counterfeiting in the new GATT agreement has received a cool response from both the developing countries and some southern European nations.

Late last year, the U.S. alarmed by low-cost producers in some developing and smaller European countries who have flooded markets inEurope with counterfeit products, particularly in clothing such as jeans, introduced new proposals for a code of conduct which would outlaw such goods. The code's main purpose would be to deprive the parties to a counterfeit transaction of the benefits arising from the deal.

Almost all the code's features *have yet to be agreed. Most* developed countries have given in to U.S. insistence that such a code should be part of the Tokyo round package, but some major developing nations are still not convinced that counterfeiting falls within the scope of international trade negotiations. They argue that the code should be negotiated separately within the World Intellectual Property Organisation (WIPO) which deals with trade mark and copyright matters.

There is in any case a general feeling of antipathy among developing countries who suspect that the large multinational corporations are trying to twist their arms through the U.S. negotiators to obtain unfair protection for their particular brands of products. Developing nations are keen that internationally known products made on their territories should also gain world recognition to bolster their image as producers of quality goods.

U.S., China textile talks

BY DAVID BUCHAN IN WASHINGTON

U.S. AND Chinese officials this week opened their first commercial talks at an official level since the establishment of *diplomatic links on January 1,* with negotiations aimed at regulating the future inflow of Chinese textiles into the U.S.

Mrs. Juanita Kreps, the U.S. Commerce Secretary, said last week that the U.S. wanted to reach an orderly marketing agreement with China of the kind it already has with other *low-cost Far Eastern producer* countries. China is already the biggest supplier of cotton textiles to the U.S. and the sixth largest supplier of textile fabrics.

German, U.S. groups tipped for Hijaz study

BY RAMI G. KHOURI IN AMMAN

GERMAN AND American consultants among the eight short-*listed international* consortia of consulting engineering firms are best placed to win the feasibility study contract for the reconstruction of the 1,300km-long Hijaz Railway, the Jordanian Transport Minister, Mr. Ali Suheimat, told the Financial Times.

Three of the eight that were chosen from the pre-qualification bidders have been designated to negotiate in Damascus during the first week in February with a technical committee representing Syria, Jordan and Saudi Arabia, who are jointly undertaking the Hijaz Railway reconstruction project.

One consultant would then be chosen to undertake the economic and technical feasibility study, which would be done within 13 months of contract signing in Amman at the end of February, Mr. Suheimat said.

But he would not say which three consortia were chosen. However, the front-running position of the Americans and Germans would narrow the field down to Germanconsult and Swindell Dressler in one con*sortium; Delew Cather,* Louis Berger and Rites of India in another and Tams of the U.S. with the Canadian firms of Canadian Pacific and Tecsult, or Parsons, Prinkerhoff Centec of the U.S. with Sofrerail, Sogflerg and SGTR of France.

Tenders for the consultants are likely *to be issued in the* spring of 1979 with the target date for completion of the entire project set at about eight years afer that, Mr. Suheimat said.

Record Swiss export credit

By John Wicks in Zurich

SWITZERLAND HAS signed a transfer credit agreement with Indonesia totalling SwFr 255m (£66.3m), the biggest transaction to date in which a Swiss *banking consortium will provide* funds backed by the Federal Export Risk Guarantee system.

The sum is equal to 85 per cent of SwFr 300m, the foreseen value of Swiss capital goods and services for Indonesia. The credit is intended primarily to permit Swiss participation in major industrial projects in Indonesia, particularly in the field of power-station construction.

The agreement is based on two separate contracts, one at Governmental level and the other between the Swiss banks involved and the Indonesian Government. The inter-govern*mental contract* includes a repayment and interest payment guarantee by the Indonesian Government, with the banks laying down the conditions for the credit.

THE CRISIS IN IRAN

Military muscle flexed to show support for Shah and danger for his foes

BY SIMON HENDERSON IN TEHRAN

A BIZZARRE display of military prowess by 1,200 men of the Shah's Imperial Guard yesterday added to the confusion in Iran over the role of the military if Ayatollah Khomeini returns as expected on Friday

The morning parade at Tehran's Levisan barracks was full of pro-Shah marching songs and shouts of "long live the Shah," punctuating the drills even though the Shah left on what is expected to be a permanent exile only a week ago.

The display was organised by Mr. Hassein Amirsadeghi, an *ultra Shah royalist to show the* "normal working of the army." To add to the confusion it occurred on the very day that local newspapers carried headlines quoting General Abbas Garabaghi, the chief of staff, as saying that the army is backing Dr. Shapour Bakhtiar, the Prime Minister, whose appintment led to the *Shah's* departure. Dr. Bakhtiar's government has been called illegal by Ayatollah Khomeini.

For two hours during a snow storm, the imperial guards, among Iran's toughest soldiers, paraded for more than 100 journalists, the first time such a *facility has been* accorded to the Western Press. The commanding officer, General Ali Nashat, said his men were waiting for the Shah's return when they would serve him to the last drop of their blood. The parade started with the band playing the national anthem and *a march past followed by the* steel helmeted goose-stepping soldiers.

Displays on an obstacle course included the holding aloft of the Shah's portrait and a banner saying "Long live the Shah," and "Death to the traitors."

There was also a demonstration of what was described as anti subversion street warfare tactics. Over 100 men wearing gas masks slowly advanced in a wedge-shaped formation backed by seven armoured personnel carriers.

When asked whether the next exercise which involved light anti-aircraft guns was also an anti-subversion display, Mr. Amirsadeghi replied smiling "yes, if there was Khomeini airline."

Officers in the conducting *party were more circumspect.* There were no anti-Khomeini slogans as such and a Colonel said he wanted Khomeini to come back so that the Ayatollah could see for himself what state the country was in.

The organiser of the event, Mr. Amirsadeghi, is the son of the Shah's chauffeur and has emerged as the unofficial court spokesman since the Shah left. Although treated with scepticism by journalists it obviously took no little influence with the Imperial Guard to arrange the display which was also meant to include a parachute drop.

The Imperial Guard brigade is said to total 25,000. Its loyalty to the Shah has never been in doubt but what must be more worrying for Dr. Bakhtiar must be the rest of the army where the conscripts may more likely be influenced by religious supporters of Ayatollah Khomeini.

There have been several protest strikes in support of Khomeini at military bases reported in the last week and early in December there was even a mutiny by several men at the Imperial Guard barracks

Troubles halt gas flow to Soviet Union

MOSCOW—A pipeline bringing natural gas from Iran to the Soviet Union has been shut off as a result of the troubles in Iran, and at least one Soviet region is suffering sever hardship as a result. The lack of gas through the pipe and the absence of maintenance has caused the pipeline to be damaged.

A newspaper reaching Moscow this week from Soviet Armenia said the pipeline had been shut off since last autumn and that emergency measures were being taken to find alternative sources of fuel.

The 690-mile pipeline was completed at the beginning of the decade. It has pumped *about 1bn cubic feet of natural* gas a day into the Soviet Caucasus region over the past five yeas for the republics of Azerbijan, Georgia and Amenia.

An article in the Armenian daily newspaper, Kommunist of January 13 indicated that Iranian natural gas was almost the only heating fuel *available* to Armenia.

The article made no reference to the supply situation in Georgia, but said Azerbaijan was also experiencing difficulties. It was, however, sending Armenia some natural gas from its own fields.

A reallocation of domestic production can be expected to affect Soviet natural gas supplies to East and West European countries, which receive about as much Soviet natural gas as the Soviet Union imports from Iran.

The problems in Iran also *jeopardise the fulfilment of a* plan reached in 1975 to triple Soviet natural gas imports from Iran by 1985. The plan involves the construction of a second gas line

AP

Boom fading for U.S. business

BY STEWART FLEMING IN NEW YORK

AS ONE Carter administration *official* put it "the golden age for U.S. business in Iran is over. Its future role is likely to be on a very much reduced scale."

The clear implication of this is that there will be damage to the U.S. balance of trade because Iran has developed into an important export market in the past four years, accounting for about 2½ per cent of U.S. exports in dollar terms last year.

The U.S. has imported about 5 per cent of its oil needs from Iran—this accounted for the bulk of its $2.6bn of imports from the country last year. But overall the U.S. has had a positive trade balance of around $800m which seems unlikely to continue.

While it is not generally expected that many U.S. concerns will have to make significant loss provisions in their annual accounts, it is clear that several companies active on the Iranian export market face losses in revenue and profits.

Even before the crisis which ended in the Shah leaving Iran, there had been a considerable cut back in imports—particularly in the public sector. Overall this trend will be accelerated. The Iranians are re-examining around $12bn of *contracts* placed with U.S. companies. Many are expected to be cancelled as the successors to the Shah put less emphasis both on lavish military and civilian projects and, probably, on trade with the U.S.

At the peak over a year ago, U.S. companies had some 300 *sales offices in Iran but only* about two dozen companies had manufacturing plants there, although these included such corporate giants as General Motors and Du Pont. The international oil companies have of course been hit by the cut-off in oil exports.

At the peak, U.S. corporations had some 45,000 employees and their families in the country. But *the* rapid withdrawal of all but essential technical staff by many concerns has reduced the figure to 12-13,000, according to the State Department.

Assessments of the prospects vary. General Motors, exceptionally, is optimistic about the re-opening of its 45 per cent owned car assembly plant, but other companies are less confident.

Concerning the longer term aspects, many U.S. corporations appear to have been fairly circumspect about long term commitments in the country. As a result, the Iranian upheaval may not make big holes in their *profit and loss accounts.*

It is only since the early part of the decade, particularly since the 1973 leap in oil prices, that U.S. corporations dramatically expanded their Iranian operations. And as one U.S. Government official put it "There was a gold rush mentality, *a* determination to get in and if necessary be able to get out overnight without putting down too many long term commitments."

The giant chemical concern Du Pont for example wrote off the $40m it invested in its joint venture to produce polyester and acrylics in Iran as the facility was built.

The $100m equity capital for the plant was 60 per cent provided by Iranian banks and wealthy family interests. Du Pont had only about 50 of its own personnel in Iran and these have been withdrawn over the past couple of weeks following the closure of the plant because of materials shortages.

In the future, whatever policy is adopted by a post-Shah government, it seems unlikely that U.S. companies will be able to reap the profits some have been aiming for.

General Motors last year sold about 500 Cadillac Sevilles in Iran and selling the luxury car *for* $37,000 compared with the market price in the U.S. of around $12,000. The company will not disclose the profits of its Iranian operation and points to the heavy costs of starting such operations outside the U.S. It says that it went into Iran with an eye on the long term *future for the motor car* in the country.

Whatever the future for manufacturing plants in Iran which are partially owned by U.S. companies, there is general agreement that big export orders are almost certain to be lost.

According to the Commerce *Department,* U.S. *exports to* Iran, which totalled only $764m in 1973, are estimated to have risen *to* $3.4bn in 1978. Last year there was a particular surge in military exports, which totalled $1bn. Over the first nine months of the year compared with $596m in the whole of 1977 and $213m in 1973.

Already Iran has cancelled Textron's $575m contract for the joint production of Bell helicopters in the country, but before the U.S. company had invested heavily in Iranian plant.

It is widely anticipated that other major military contracts will be cancelled including a $3.2bn order which General Dynamics has for the manufacture of F-16 fighters. But as General Dynamics points out, its contract is with the foreign military sales arm of the U.S. department of Defence, not directly with the Iranian gov*ernment,* and *the* contract includes cancellation provisions. Other military contracts are on similar terms. And, while it is clear if they are cancelled the companies will face lost revenues and future profits but not necessarily heavy losses on the contracts.

There are many examples where future revenues are now in doubt. American Telephone and Telegraph's Bell International subsidiary had been carrying out systems engineering work under a $194m contract for a complex new telecommunications network in Iran. The work has been suspended and 700 of the 900 Bell employees withdrawn. Whether Iran will press ahead with so large a telecommunications programme is now in doubt, and U.S. communications companies must be questioning what orders they can expect for equipment.

Another area where U.S. companies are exposed is in banking. U.S. banks have an estimated $2.2bn of loans in Iran although over the past year many have been cautiously calling back their commitments. The banks themselves argue that Iran will continue to need bank finance and doubt whether an Iranian *government will repudiate its* debt.

Anthony McDermott adds: Foreign bankers, or at least the few who have stayed on in Tehran, are extremely cautious in the short term about Iran's prospects. They acknowledge that Iran will eventually again be in the market for loans and supplier credits, and also that the country's oil and gas reserves mean that it has more than adequate collateral against which international loans and credits could be raised.

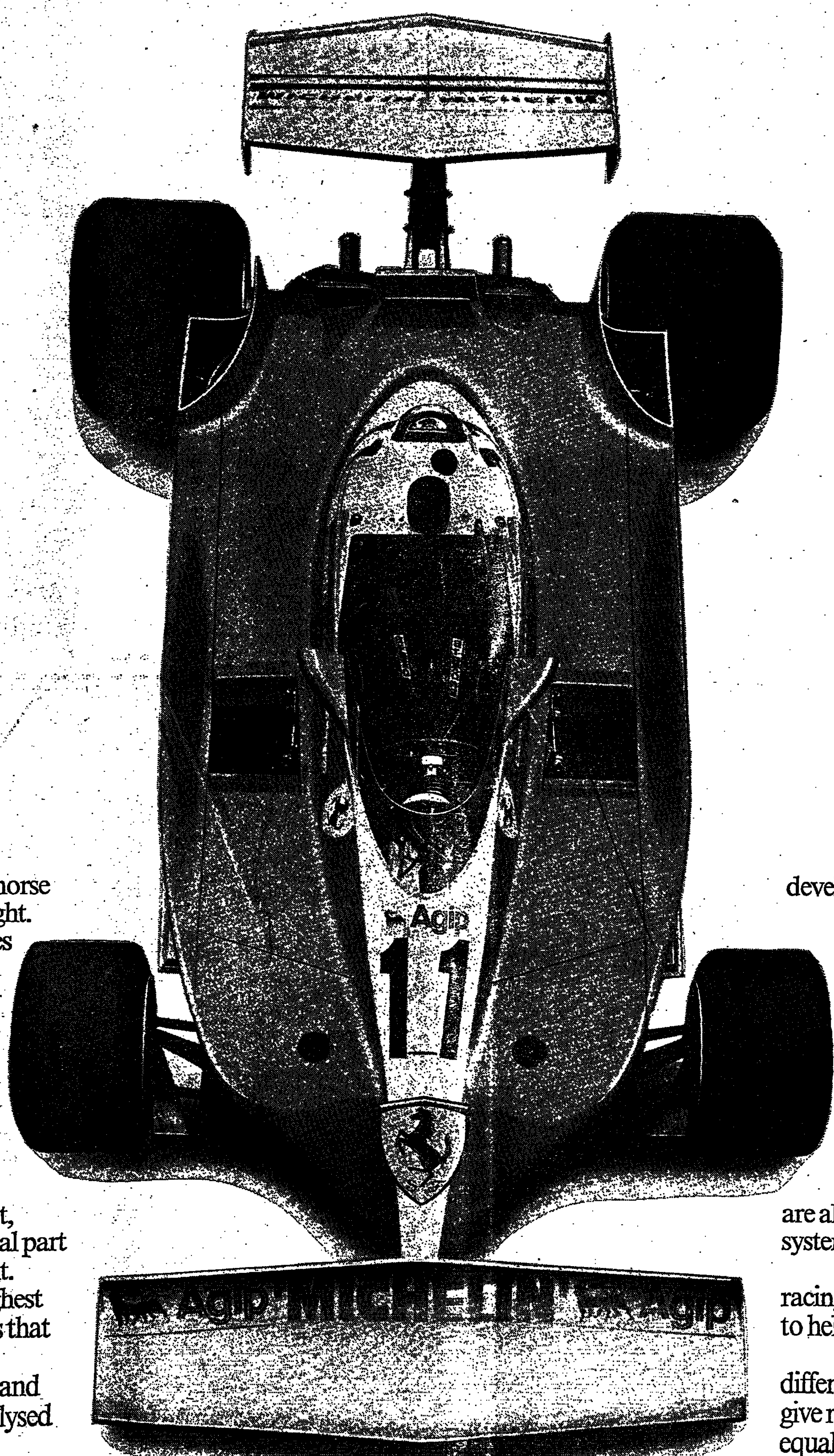
But bankers raise two fundamental reservations. First, they are not prepared to take risks until there has been a minimum of three months' political stability. Second, they are concerned about the effects of the economy of a strictly Islamic and nationalistic government.

The Shah of Iran (right) has decided to postpone indefinitely his planned visit to the U.S., sources close to the exiled monarch said yesterday. AP reports from Marrakesh, Morocco.

The Shah and Empress Farah arrived in Morocco's winter capital on Monday to a low-key welcome from King Hassan II.

In Cairo, a spokesman for President Anwar Sadat said the Egyptian leader had invited the Shah, who spent the first six days of his "vacation" with the President in Aswan, to return, and the Shah may accept.

Christian name: Ferrari. Family name: Fiat.



300 km/h. 500 horse power. 600 kg in weight. Yet all this contributes a great deal to the everyday family car. For in the 2 hours or 300 km at top speed of a Formula One Grand Prix, a Ferrari undergoes what a family car does in several years. It's a concentrated test, where each mechanical part is stretched to the limit. A challenge of the highest order which demands that new solutions are continuously sought, and traditional beliefs analysed and questioned.

Fiat and Ferrari, world champions and makers of family cars and Formula One racing cars, are exchanging information all the time. Continuous contact in the same research centres. On the same test tracks. In the same development laboratories.

The sheer will to win, the fight to be first becomes a joint commitment, wider and more diversified, in the field of research.

The Fiat research centre, the wind tunnels, Ferrari's test track at Fiorano, and Fiat's at Nardò, are all part of a unique system.

Created specifically for racing cars and family cars to help each other.

Because these two quite different experiences can give rise to a common and equally successful technology.

For Ferrari on the race tracks and Fiat on the roads.

FIAT

North Sea oil drilling 'could fall again'

BY KEVIN DONE, ENERGY CORRESPONDENT

OIL COMPANIES operating in the North Sea have warned the Government that there could be a further slight fall in offshore drilling this year on top of the dramatic reduction in exploration activity on the UK continental shelf in 1978.

In a report to the Department of Energy, the UK Offshore Operators Association places the blame for the fall in exploration and appraisal drilling firmly on changes in Government oil policies.

Compared with the peak years of 1975-77 exploration and appraisal drilling activity fell by 35 per cent on the continental shelf according to oil industry figures.

Last year an average of 14 rigs was employed on exploration and appraisal work in UK waters compared with an average of 22 from 1975 to 1977.

This year, says the association, offshore activity will be sufficient to keep little more than 13 drilling rigs operating through the year.

At the request of the Department of Energy, UKOOA has conducted a survey of its members to discover the main reasons for the decline in offshore exploration and appraisal. The "unattractive fiscal regime" was regarded as more than twice as important as any other single factor.

Other reasons listed in order of importance were the lack of and delays in awards of new licences, the lack of attractive exploration acreage in current licences, the lack of confidence in Government intentions, the introduction of new policies on the assignment of licences from one company to another, delays in granting assignments, and the lack of crews to carry out seismic work.

The Government has countered these points recently by saying that its decision to alter the fiscal regime by raising the rate of Petroleum Revenue Tax was only announced in the summer, when many of the most favourable months for offshore drilling had passed.

It has accused the oil companies of waging a propaganda campaign in order to persuade Parliament to turn down the PRT proposals, when they are put forward as part of the Finance Bill in the spring. The Government has been concerned at the fall in exploration work but explained it partly through the oil companies switching more of their resources towards development work.

Mr. Tom King, Conservative Party energy spokesman, said the report was a damning indictment of Government policy. It showed how low confidence had sunk. Confidence was crucial in North Sea development given the long lead times involved.

Mabon chides EEC over energy policy

BY MAURICE SAMUELSON

THE EEC Commission should stop attacking key parts of Britain's energy policy and copy them for the benefit of the whole Community, Dr. Dickson Mabon, Energy Minister of State, said yesterday.

A pro-Marketeer of long standing, Dr. Mabon said that the UK's differences with Brussels over energy should not be attributed to the fact that Mr. Anthony Wedgwood Benn, the Energy Secretary, is an anti-Marketeer.

The EEC's objections to three features of British policy were "nonsense", he told the Europe Society in London. It objected to the requirement that North Sea oil must be landed in the UK; the monopoly status of the British Gas Corporation; and Britain's refusal to limit its refinery capacity.

On the interest relief grants (loans at subsidised rates for the offshore oil supplies industry), he said there should be a similar grant at Community level. The Commission should also adopt the UK principle of "full and fair opportunities."

As the country with Europe's largest coal as well as oil reserves, the UK would like to see a highly capital European coal industry. But only West Germany, and possibly Belgium, were on its side. In the EEC Council of Ministers, progress on coal has been "nil" for the past three years.

Meanwhile, Western Europe was "exploiting the Reds" by subsisting on cheap coal from Poland, whose workers were hard-pressed by the political system.

Recalling Euratom's objections to British attempts to buy 500-1,000 tons of uranium a year from Australia, he challenged the EEC Commission to assure security of supplies of nuclear fuel, and said there was a need for a common European fast reactor.

Datsun goes up-market with executive car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAPANESE manufacturers have started the year determined to develop a more up-market image for their cars as well as getting higher prices for them. The latest Datsun model launched today in the UK by Nissan Motors illustrates this trend.

The Datsun Skyline 240K is claimed by the manufacturer to be its most technically advanced model announced so far, and it will retail at a few pence under £6,000. It therefore fits in the "executive" car market against competition such as the Audi, Volvo or the Rover.

In the Datsun range only the 260Z Sports is marginally more expensive and since this care is due to be replaced shortly it is not readily available.

But Datsun will not get very many Skylines from Japan either. The group is still negotiating its 1979 quota for all of its range.

The talks are taking place against a background of voluntary curbs on shipments to the UK by the Japanese manufacturers. Faced with a slowing down of export sales generally, Japanese car makers are moving over to higher-priced, higher-margin vehicles.

The Skyline has more than 50 standard "extras" and includes among the electronics two panels of indicator lights to monitor brake fluid level, to check whether doors are properly closed and whether the tail lights and stop lights are working.

The Skyline comes complete with Bosch fuel injection, electronic ignition and new, variable-flow ZF power steering.

Small Scottish concerns 'need advice and loans'

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THREE QUARTERS of small companies in Scotland want expert advice, and nearly half need working capital or money to finance new buildings and equipment.

These are among the findings of a survey of the 8,000 companies employing less than 200 people, carried out for the Scottish Development Agency. These companies provide one-third of manufacturing jobs north of the border.

The survey found that the need for specialised help with marketing and finance and administration problems was by far the most pressing.

Many companies wanted to export more, probably because of the depressed state of home demand. But they lacked information about overseas markets and expertise in sales promotion. A fifth of firms asked for help in obtaining contract work in the UK.

Three-quarters of companies needing capital thought they would be able to get it through normal commercial sources. However, depressed industries such as shipbuilding, marine engineering, metal manufacturing had acute difficulty in obtaining private finance.

The survey ends on an optimistic note. Two-thirds of the companies said they intended to expand over the next five years.

Tories press Companies Bill changes, Page 9

New £21m tube steel plant for Sheffield

THE BRITISH Steel Corporation is to spend £21m on a new plant for tube steel production at its Stocksbridge works in Sheffield.

The investment, which was announced by Mr. John Pennington, managing director of the BSC's Sheffield division, involves the installation of a secondary steel-making unit and a four-strand round and billet casting plant. Turnover-type cooling beds are included.

The plant will take three years to complete and a further 18 months to bring fully into production.

Tenants owe £62m rents

LOCAL authorities in England and Wales were owed almost £62m in council house rent arrears at the end of the 1977/78 financial year, said a report published yesterday.

The report was prepared by the Chartered Institute of Public Finance and Accountancy followin ga survey of 324 housing authorities which showed housing revenue account expenditure totalling over £2.7bn for 5m dwellings.

The expenditure is financed mainly by Government subsidies and grants (42 per cent), rents (41 per cent) and contributions from general rate funds (9 per cent). About 61 per cent of the expenditure is accounted for by debt charges, 13 per cent by repair costs and 13 per cent by supervision and management costs.

During 1977/78 local housing authorities sold 18,667 properties valued at over £131m, an average of about £7,035 each.

Housing Statistics (England and Wales) 1977/78. Part 2, CIPFA, price £3.50.

Air terminal work begins

WORK HAS begun at Heathrow Airport, London, on the £8.8m "Eastern satellite terminal" between Terminals One and Two.

It is expected to be completed by August next year and will be used primarily for the 2m passengers who travel each year on the London-Paris routes of Air France and British Airways.

It will be linked to Terminals One and Two by "moving walkways" and will have initial capacity for four aircraft stands, with eventual provision for a fifth.

The main contractor for both the new terminal and the connecting piers to Terminals One and Two is Costain Construction.

Spanish airline talks continue

Further talks between the UK and Spanish Governments on the proposed transfer of Iberia Airlines flights from Heathrow to Gatwick will be held in Madrid next month. The announcement follows a visit to the UK during the past two days by a delegation from the Spanish Government to both airports.

When they saw Heathrow yesterday it was closed because of bad weather. The view in the UK is that the Spanish team must have realised that Heathrow has severe problems, although yesterday's conditions were exceptional.

Laker flights to Canada

SIR FREDDIE LAKER has set up a company to promote cheap-fare charters between the UK and Canada.

Laker Air Travel (Canada) will offer return flights for as little as $310 (Canadian), about £135, in the off-peak season, rising to $410 (about £178) in the peak months.

More schools for truants

THE NUMBER of special educational units for disruptive pupils and truants rose from 40 to 239 over the five years to 1977, according to studies by Her Majesty's Inspectorate of Schools.

More than two in every three English local education authorities now provide some kind of "sin bin," but the inspectors' survey of 18 comprehensive schools in built-up areas indicated that only a small proportion of children behave violently in class.

TV and audio sales increase

SALES OF televisions and audio products were up in the first 11 months of last year over the same period in 1977, with imports taking a bigger share. UK-made colour TVs were up from 1.2m to 1.26m, and monochrome TVs from 462,000 to 509,000.

Imports of colour TVs over the same period rose from 278,000 to 344,000, and monochrome imports rose from 458,000 to 517,000. Imported radios rose from 3.6m in 1977 to 3.9m in 1978.

JOHN LLOYD REPORTS ON PLANS FOR CUTS AT EVENING NEWS

Associated's fight to halt drain on profits

THE CUTS proposed for the Evening News are aimed at reducing annual losses, put at about £7m, to about £2m. The owners also argue that they will give the paper more money for promotion, and enable it to compete better.

The News plans to reduce its workforce and to follow the capital's other evening newspaper, the Evening Standard, in dropping Saturday and bank holiday issues. It will also end its first edition, which is dominated by racing information.

The Standard will continue to produce a racing edition, and therefore appear on newsagents' counters anything up to two hours before its arch rival. But Associated Newspapers, owner of the News, points to the uneconomic nature of their first edition, which is full of material written the day before. The new first edition, which will start printing just after 11 am, will be wholly the news of the day.

This is recognition, Associated argues, that the old practices, fanatically geared to speed of delivery, are no longer economically valid. The new practices reflect the best of the profitable provincial evening papers.

Two years ago, Associated Newspapers and Beaverbrook Newspapers—now the Express Group—held talks on merging the News with Beaverbrooks' Evening Standard. They came to noting.

Associated then decided that if it could not join the Standard, it would attempt to beat it.

The result was one with which Londoners are familiar. It was a tabloid Evening News with brighter feature articles partly aimed at a female market, and investigative reporting to challenge the Evening Standard on its own ground. The News says the strategy has had some success.

The sharp decline in circulation eased. From the beginning of 1977 to the end of 1978, the News has declined from 553,041 (Monday-Friday) to 537,784. In the same period, the Standard has gone down from 411,438 to 361,474 (ABC figures). The News has improved circulation in seven of the past ten months.

Hugh Routledge

Its share of the evening paper classified market increased from about 45 per cent to over 50 per cent i nthe final months of last year (54 per cent in November).

Its display advertising won a larger share of total advertising spending in London. The total went up 16 per cent over the previous year, and the News' share increased by 55 per cent.

But the paper was still losing huge sums — over £7m in the current financial year, with a projected £7.5m next year on Associated Newspapers.

The News was an open drain. It accounted for all the losses of its national newspaper operation, which also includes the Daily Mail and the contract printing of the Sunday People. The Mail is gaining circulation, and is believed to be profitable. In the long term, such losses could put it at risk.

The redundancies, which management sees as inevitable, are high. About 520 people would be made redundant, nearly half of them in the circulation and distribution departments.

Some £6m has been set aside for compensation, so some individual payments could be as high as £30,000.

Associated wants voluntary redundancies, except among its journalists, where it wants to stop its best people from taking the money and running to the opposition.

The group says that these measures should usher in a better future for the News—a future which could not offer any merger with the Standard "in the foreseeable future."

But Mr. Victor Matthews, chairman of Express Group, confirmed last night that there have been merger talks in the recent past. The News, he claims, was much keener than he was. With a profit from the Standard last year of £500,000, he says he is in no great hurry to merge.

"There's room for two evening papers in this city. They're doing now what they should have done nine months ago. I wish them well, sincerely.

"Mind you," he says, "we probably would make more as one paper."

Record 261 ships lost last year

BY JOHN MOORE

SHIP LOSSES last year set a new peacetime record, according to figures released yesterday by the Institute of London Underwriters. Total gross tonnage lost amounted to 1.4m, compared with 1.2m tons in 1977, a 17 per cent increase.

Vessels totally lost numbered 261, compared with 203 in 1977.

This sharp increase in losses means that the total value of ships lost is likely to exceed the £170m of the previous year by a wide margin when final figures are calculated.

According to the institute, which represents 109 insurance companies in the London insurance community, 1978 was highlighted by several, unparallelled disasters.

The most notable of these was the unexplained sinking in the Atlantic of the motor barge carrier München in December. Out of a total insurance bill on the hull and machinery insurance of £21.5m, London insurers paid up £7m. However, there are other reinsurance claims to be settled.

The barges on the München were valued at about £4.5m. The cargo that the barges were carrying—steel products—is estimated to have been worth £10m. The total insurance bill could come to £36m.

By comparison, claims arising from the Amoco Cadiz oil spill in March so far seem modest. The vessel was insured for £6m, of which £4.8m was met by the *London insurance community*.

On the aviation front the institute reported that 20 jet airliners were lost, one more than in 1977. There were 11 fatal accidents involving Western-built jets, resulting in deaths of 662 passengers.

"In a normal year these losses would not necessarily have caused undue concern to underwriters," says the institute, "but in 1978 premium rates decreased steeply due to competition from within the London market and elsewhere."

Director acquitted in sanctions trial

ONE OF the defendants in the trial alleging Rhodesian sanctions-breaking by two subsidiaries of Lucas Industries was acquitted on the direction of the judge at Aylesbury Crown Court yesterday.

Judge Lawrence Verney said that the charge against Mr. Thomas Graham Lock, 46, general manager and a director of Lucas Service Overseas, of Haddenham, Bucks., should not have been brought. He awarded Mr. Lock costs.

Mr. Lock faced a single charge which alleged that he showed neglect by not being aware that his company allegedly exported £29,388 *worth of motor vehicle spares* destined for Southern Rhodesia with intent to evade the prohibition on the exportation in breach of the UN trading sanctions against Rhodesia.

Mr. Lock's acquittal came on the eleventh day of the trial in which Lucas Service Overseas and CAV of Acton, two of the Lucas Group's subsidiaries, are denying 13 specimen charges alleging the illegal exportation of vehicle parts worth £154,000 to Rhodesia via one of their South African depots between February 1975 and July 1976.

The charges are also being contested by Mr. David West, 49, former manager of African affairs for Lucas Service Overseas, and Mr. John Maund, 52, general manager of export accounts for CAV, who the *prosecution claim* "were the minds" of their respective companies when the offences were allegedly committed.

Optimistic forecast for economic outlook

BY DAVID FREUD

A MARKEDLY optimistic forecast for Britain's economic performance, in spite of current pay disputes, was published yesterday by the Henley Centre for Forecasting.

Henley, who are independent business forecasters, expect the rate of inflation to slow and output growth to average a healthy 3 per cent over the next five years.

It says the current crisis over union power and pay has increased the chances of a Conservative Government which *would pursue tougher money* policies. This should produce lower interest rates and a more stable pound than previously expected.

Henley expects average earnings to rise by 12 per cent through the current wage round. However, buoyant personal savings and institutional cash flow, combined with falling interest rates, indicate a high demand for gilts this year. This should help reduce money supply growth to 9.5 per cent.

Over the next five years the monetary targets are expected to be progressively reduced to force down the rate of inflation. Gilt sales as a proportion of the public sector borrowing requirement are forecast to increase, consistent with continue high personal sector surpluses and rapid growth of institutional cash flow.

● City brokers Kemp-Gee and Co, in its latest *circular*, says the events of the last week make it hard to avoid the conclusion that economic policy is in complete disarray.

"Private sector wages policy has completely broken down and despite intermittent signs of a rearguard action it seems safest to conclude that public sector wages policy is also a dead letter."

Inner cities policy criticised

THE GOVERNMENT'S inner cities policy came under attack yesterday from the Greater London Council for being too fragmented, and lacking in financial muscle.

A report to the council's *policy* and resources committee said the Government's continued fragmentation of London into separate, self-contained areas with different powers and levels of resources could not be justified and should be strongly resisted.

There were dangers in concentrating too much on small-scale action in the worst affected areas, instead of examining their problems in a London-wide perspective.

Mr. Richard Brew, GLC deputy leader, claimed the council would be providing more than £250m in 1979-80 for projects to benefit London's inner city.

Uranium Institute cleared by U.S.

By David Fishlock, Science Editor

THE URANIUM Institute, an *international* "*think-tank*" set up by the uranium industry in London in 1975, has been cleared by the U.S. Department of Justice of accusations that it represents a cartel of uranium producers.

The Department has issued a business review letter clearing the activities and procedures of the institute of any suggestion that they conflict with U.S. anti-trust laws.

The letter, issued on Monday, clears the way for the institute to expand its U.S. membership.

U.S. uranium producers in particular have been wary of joining the organisation until the Department of Justice cleared its activities, because the courts have not yet settled legal actions between uranium suppliers and customers.

The absence of the nation with the biggest installed nuclear capacity, and which mined nearly 13,000 tonnes of uranium last year, has been a weakness of the constitution of the Uranium Institute.

Details soon of charges for Talisman

Financial Times Reporter

DETAILS OF the charges for *Talisman, the Stock Exchange's* new computerised bargain checking system, will be sent out in a letter to member firms at the end of this week.

An announcement had been *expected* to alter yesterday's Exchange Council meeting at which the details were finally agreed after a delay of some weeks. Originally, Mr. Nicholas Goodison, the chairman, had *said that details* of the tariff would be a "Christmas present" for members.

Now, although not without opposition, the tariff has been agreed. It is thought that the structure *follows* closely the original conservative accounting principle that the charges cover running costs and the repayment of the full capital outlay over a period of five years.

Necklace top at £12,500

A RARE mid-17th century Dutch oval gold locket containing a miniature of a young woman sold for £2,800 at Phillips yesterday in an auction of jewellery which totalled £115,250. The same buyer, Blenheim Antiques, also paid *£7,000* for a late 19th century Russian gold pendant, set with rubies, diamonds and pearls.

Top price in the sale was the £12,500 for a Georgian diamond collet *necklace. In the morning,* Phillips sold furniture for £27,586. An 18th century Tuscan walnut refectory table fetched £1,450, and a set of 12 early Victorian rosewood dining chairs £1,750.

At Bonhams, silver totalled £12,628 with a top price of £660 for a late Victorian claret jug. Sotheby's sold Chinese snuff bottles for £23,585. An interior painted bottle by Chou Lo-yuan made £540 and a porcelain snuff bottle £400.

SALEROOM

BY ANTONY THORNCROFT

Machine grant for Parkinson

J. PARKINSON and Son, of Shipley, has received a £230,000 grant from the Department of Trade under its Machine Tool Industry Scheme. The award covers about a quarter of the cost of design and development of Parkinson milling machines, gear testers and Sunderland gear generators.

ICI increases its price rises

BY SUE CAMERON, CHEMICALS CORRESPONDENT

FURTHER INCREASES in the cost of naphtha—a basic petrochemical feedstock—are forcing Imperial Chemical Industries to raise its product prices by considerably more than was expected last month.

The group said yesterday that it expected naphtha prices to average out at £95 a tonne this quarter rather than the £90 a tonne it predicted six weeks ago. ICI will be increasing its own planned price rises accordingly.

The group has already had petrochemical price increases of up to 50 per cent accepted by the Price Commission. Its application to the Commission was based on the dramatic increases in naphtha costs.

Last July, when naphtha cost only £69 a tonne, ICI was charging £188 a tonne for its ethylene but last month it said this would have to go up to *£225 to cover increased naphtha* costs and to £231 for a reasonable rate of return. ICI now says ethylene prices will need to rise to £235 a tonne to cover increased feedstock costs and to *£245 a tonne to give a required* current-cost accounting return.

On the same basis the group's ethylene glycol was to have risen from £215 a tonne last July to £257 or £302. But the fibre-grade is now *going up to* £254 or £330. Benzene, which was £126 a tonne last July, was to have risen to £168 or £190 but is now to go up to £178 or £200.

Paraxylene—£148 a tonne last July—was to have risen to £180 or £224 but is now to go to £187 or £230 while pure terephthalic acid—£256 a tonne in July—was to have gone to £281 or £354 *but will actually rise to* £286 or £355. Phenol, at £230 a tonne in July, was to have risen to £272 or £317 but will now go to £282 or £330.

ICI will be going for the revised upper figures—those giving a required current cost accounting return rather than merely covering increased naphtha costs—in every case. The group said yesterday that at present its petrochemical prices were between the revised cost-covering and reasonable-return levels.

Prices of some products were moving up more quickly than others. Ethylene was moving only "sluggishly" in price while benzene and paraxylene were going up fast. The main reason for the different rates of movement was product availability, although contract customers were proving more resistant to increases for some petrochemicals than others.

In Europe as a whole, *petrochemical prices were probably* nearer to cost-covering levels than to levels giving a current cost accounting rate of return.

NEB resists MPs' pressure for inquiry

BY CHRISTINE MOIR

THE National Enterprise Board continues to resist pressure from some MPs for a new investigation into bribes alleged to have been paid by a subsidiary over a £250m medical contract in Saudi Arabia.

Sir Leslie Murphy, chairman of the NEB, has written to Mr. Gerald Kaufman, the Industry Minister, repeating that the board thoroughly investigated the affairs of Allied Investments when it took it over last year.

The letter responds to pressure from a group of Labour backbenchers who asked Mr. Kaufman to raise again with the board the matter of the bribes and a later allegation that its legal counsel admitted them during a court hearing.

Mr. Kaufman wrote to Sir Leslie inquiring about the allegation concerning counsel. Sir Leslie replied that Sir Richard Marsh, chairman of the board's subsidiary which has absorbed Allied, has denied that counsel made such an admission and he repeated that no further investigation was called for into the main issue.

Transport Docks report attacked as inadequate

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE BRITISH Transport Docks Board was criticised by MPs yesterday for its refusal to disclose certain aspects of its busines in its annual report.

Sir Donald Kaberry, Conservative member for Leeds North West and chairman of the Select Committee on Nationalised Industries, told the board's officials that this was the second *occasion on which the committee* had expressed its concern about the inadequacy of thet report.

Members of the committee said that the report should contain detailed information on hte board's investment projects, the return on caiptal at each of the board's 19 ports and an outline of the board's five-year strategy.

Sir Humphrey Browne, chairman of the Docks Board, said it was undesirable to give a comprehensive list of capital items because some of the information could be of use to competing ports.

As for returns on capital, Sir Humphrey argued that comparisons between the ports could be misleading and commercially disadvatnageous.

He agreed to supply the *information confidentially to the* committee.

In 1977, the Board showed an overall rate of return of 16.8 per cent, compared with 9.5 per cent for Liverpool, 5.6 per cent for Manchester, 5.1 per cent for Bristol and 4.4 per cent for London.

Sir Humphrey said that conditions changed so rapidly in the ports industry that to make *public five-year projections* could lead to false expectations among the port's employees.

OBITUARY

Mr. Gordon Wilson

THE FUNERAL takes place today at Fulmer, Bucks., of Mr. Gordon Wilson, director of sales at the British Aluminium Company and managing director of the company's rolled products division, who has died aged 54 *after a short illness.*

Mr. Wilson served his apprenticeship with Rover Cars from 1941 and in 1945 he joined the Reynolds Tube Company as process engineer.

He joined The British Aluminium Company Ltd. as general market manager in 1960s after the companies' aluminium interests merged, and two years later became sales manager, ingot and special products. In 1964 he was appointed general sales manager, and became director of sales in January 1969 and managing director of the rolled products division in 1973.

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UK NEWS—LABOUR

Ambulances halt again in London and Merseyside

BY PAUL TAYLOR

IN THE wake of Monday's protest strike over pay policy by public-service workers, ambulance services were again disrupted yesterday when crews in some areas *continued their* industrial action.

Other local authority and health services throughout Britain were affected by sporadic strikes, but many returned to normal.

Ambulance services were hampered in London and on Merseyside. Emergency arrangements continued to be provided *by the policy, voluntary organisations* and, in London, the Army, too.

Ambulance men there had returned to work at 7 am, but then held meetings to consider their next move. During the day they returned to work at the 76 ambulance stations and a full resumption of emergency cover is expected today.

On Merseyside, nearly all the county's 800 ambulance men walked out after being told to work normally or not at all.

In Derbyshire, 400 ambulance drivers began working to rule and Hampshire men were answering *only emergency calls*.

In *the hospitals* action continued in some regions. Birmingham laundry workers are expected *to continue* their strike *this* week while in *the* North-east and Scotland a work-to-rule may affect services.

In London, Hammersmith, Westminster and St. George's hospitals are threatened by lightning strikes. In Tameside, Greater Manchester, hospital catering staff began a week-long strike yesterday.

Most schools re-opened yesterday when caretakers and canteen staff returned to work, but bad weather kept some teachers away and schools closed. In the London borough of Haringey the caretakers' strike is being continued indefinitely and parents have been advised to keep children at home until further notice.

Some *local authority services*, such as road gritting and refuse collection, were disrupted by a continuation of the strike yesterday. In London all council manual workers in Southwark are to stay out this week and other London boroughs complained of difficulties.

More than 400 manual workers in Norwich went on strike after complaining that an unauthorised person had opened the city's car parks on Sunday.

Except in the North-west most water workers returned to *work yesterday*.

Pay award 'of over 25%' for Pill sales staff

By Pauline Clark, Labour Staff

PAY INCREASES estimated to be more than 25 per cent have been awarded to contraceptive pill sales staff employed by the American-owned Wyeth Laboratories in probably the most significant and sizeable award made by arbitrators under Section 16 of the Employment Protection Act.

The award by the Central Arbitration Committee comes after the failure of the company earlier this year to recognise the Association of Scientific Technical and Managerials Staffs.

It is seen by the union as a second big victory in its prolonged battle with the company, a subsidiary of the second largest American drugs multinational, American Home Products.

The first was a recommendation by the Advisory, *Conciliation and Arbitration* Service that the company—of Maidenhead, Berkshire—should recognise the union for collective bargaining purposes on behalf of about 100 of its medical representatives.

The union says that contingency plans are being finalised for action to be taken by staff aimed at enforcing the ACAS *recommendation*.

The issue gained public attention last summer when the union asked the Government to stop supplying the company's product through the National Health Service until it complied with the industrial relations policy for multinationals laid down by the Organisation for Economic *Co-operation and Development*.

Estimated

A union appeal to women to boycott the Ovran and Ovranette oral contraceptive also hit the headlines at about the same time.

The 100 salesmen and senior salesmen involved are estimated by the union to have won pay increases of more than 25 per cent.

Average increases are put at £830 for salesmen and £1,000 for senior salesmen backdated to October and November, although these rises would include a 5 per cent pay increase already made by the company as well as the CAC award.

In addition to the salary increases, the salesmen would receive an additional 5 per cent progression payment and provision is also made for achieving a 40 per cent average increase *in commission payments*. The award also covers a range of fringe benefits.

The CAC declared that the complaint that the company was not complying with the ACAS recommendation on recognition was well founded.

Argued

The company has argued against recognition of ASTMS on the basis that the union's membership was too low, but ASTMS claims that an inquiry showed that 51 out of 89 wanted their pay and conditions determined by collective bargaining and that 49 out of 89 wanted ASTMS to represent them.

The union said yesterday that *in the present position it might* have to return each year to the CAC to fight for pay awards for its members in the company. It was, however, continuing the battle on other fronts.

It would now seek formal reference of the company's conduct to the OECD.

While the union is supporting contingency plans being laid for action aimed at forcing its recognition, it is also to ask Mr. David Ennals, Secretary for Social Services, to take action through the Health Service and other agencies as principal customers of Wyeth.

Haulage pickets ease hold on some ports

BY LYNTON McLAIN

PICKETS eased their stranglehold on some of Britain's ports yesterday, but there were pockets of resistance around the coast *to any reduction in industrial action*.

The port of Tees was at a standstill, but there were no pickets at Sheerness and the port operated normally.

More lorries were allowed into the ports of Hull, Immingham, Grimsby and Southampton. Pickets were still active, but more hauliers were given dispensations to collect cargoes.

Timber was delivered to Nottingham, in one of the first relaxations of the blockade of Hull.

Companies operating their own lorries were also allowed to collect imports which had piled up at the docks. But export traffic remained at a standstill at many ports as picketing continued at factory gates.

Tolmans, a Hull car distributor, sent two car transporters to Hull docks yesterday, almost a week after the transport workers' union gave it dispensation to collect imported cars.

Dover dock workers at the Western Docks refused to load vehicles operated by five local members of the Road Haulage Association, after the drivers agreed to accept a management pay award.

There was a good flow of heavy lorries at Immingham, the British Transport Docks Board said. More companies were given permission by the union to collect goods.

Imported Ford cars at Grimsby were moved by transporter, and there was an improved flow of imported cars *through Southampton*.

The British Steel Corporation moved 200 tons of steel into Newport Docks for export yesterday, after union dispensation *was granted for 10 lorry loads*.

A delivery of mining equipment for China, including hydraulic pit props from Dowty at Gloucester, was also allowed on to Newport dockside.

Over 130 tons of zinc for export was delivered to Cardiff docks, and 2,100 tons of tea and coffee was on its way to the port after being diverted from Avonmouth, which was still becoming rapidly congested.

Layoff forecasts 'were not designed to scare Ministries'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE Confederation of British Industry yesterday denied that it had tried to scare the Government at the start of the lorry drivers' strike with forecasts of how quickly industry would be shut down and workers laid off.

This follows layoffs of no more than 200,000 by last night in spite of forecasts that they would total 1m to 2m by the end *of last week*.

The 1m forecast was made by Mr. Denis Healey, Chancellor, when he met TUC leaders on January 11. At the same time, informal estimates from industry were putting the possible figure as high as 2m.

Yesterday, Sir John Methven, the confederation's director-general, said that he hoped it would never be accused by "talking up a situation." Speaking on BBC radio he said that the confederation's forecasts had been consistent with the Government's figures.

Both he and the Chancellor had made their estimates on what were slightly more wrong than 1," Sir John claimed.

These remarks, however, do not explain the gap between the Chancellor's 1m and the top figure of 2m estimated by industry, and both turned out to be far too high by the end of last week when layoffs totalled about 150,000.

Ministers are angry because some figures have had to depend on what companies told the Department of Industry and other Ministers. They believe that they were being given politically embarrassing estimates of what would happen.

'Carry on' hopes rise as picketing relaxes

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

MANY COMPANIES expect to continue production indefinitely *regardless of the road haulage* strike, according to the first results of a survey by the West Midlands region of the Confederation of British Industry.

Mr. Steve Rankin, the director, said it was too early to draw firm conclusions, but the initial replies to a questionnaire sent to 1,500 companies indicated that nearly half expected to avoid lay-offs. The rest estimated that workers would have to be made idle in the next three to 28 days.

The survey also reveals the damage being caused to Britain's foreign trade, with vital export orders held up at the docks.

Mr. Rankin said that some overseas customers had already said they were reducing their dependence upon UK suppliers. "This is a very worrying trend because it raises the possibility *of losing markets altogether*."

The Government's emergency committee for the East Midlands said the industrial situation was continuing to show signs of a slow deterioration, but the number of lay-offs had been held below 10,000. Around 25,000 are idle in the West Midlands.

Picketing throughout the region seems to be under control. Mr. Douglas Fairburn, Transport and General Workers' Union divisional officer, said he had not received a single complaint of secondary picketing.

Animal feed makers angered by raw materials prices

BY CHRISTOPHER PARKES

ANIMAL FEED makers complained yesterday that they *were being forced to pay* exorbitant prices for basic raw materials as a direct result of the lorry drivers' strike.

The price of soyabean meal, the basic protein ingredient in most feeds, had gone up £20 a tonne, because of restrictions on supplies.

Grain was costing £4 to £5 a tonne more, and production costs for average rations had risen about 5 per cent overall. Increases had to be passed on to farmers, manufacturers said.

Until recently, manufacturers have been able to hold down feed prices by using cheap substitutes for conventional ingredients.

Left-overs from the food processing industry—pulp from orange juice makers, molasses from sugar refineries, bran and maize by-products—are now all but unobtainable, and feed compounders have had to revert to more traditional *sources of the* essential nutrients.

Now, they have been forced to switch back from "*least-cost*" formulas and prices are rising.

BOCM-Silcock, the country's biggest feed maker, said that the rises were only to be expected in present circumstances. Production was continuing at *its 17 mills, although output* varied between 60 per cent of normal at Carmarthen to 95 per cent in other areas.

Mr. John Silkin, Minister of Agriculture, said that in spite of all the restrictions on movement of feeds, poultry farmers, who would be the first to suffer from shortages, were still getting enough.

Release of raw materials in the North Humberside area was moving "reasonably" although he was more concerned about the increased restrictions in the north west.

Our Northern Correspondent reported that there could be serious feed shortages in the area by next week.

Regional officials of the *UK Agricultural Supply Trades'* Association said that since last week, when the new TGWU code on picketing was brought in, the *movement of goods out of Liverpool* docks had become progressively more difficult.

Problems have arisen from the withdrawal of the blanket dispensations given to company-owned vehicles collecting feed ingredients last week.

On Friday, instead of being allowed through picket lines at all times, provided they had a *dispensation, the drivers of* company-owned vehicles were told they would have to report daily to the strike committee at the docks.

Now the screw has been tightened further with the introduction of a new ruling that drivers must seek a dispensation for every load.

There are now queues of up to 40 lorries waiting for dispensations each morning. Drivers are effectively limited to one load a day.

● Fish and chip shops could face closure soon unless picketing lorry drivers allow supplies of cooking oil to leave refineries, Mr. Wallace Jordan, president of the National Edible Oil Distribution Association, said yesterday.

"It is not only fish and chip shops which will suffer—the oil is also used by takeaway establishments including Chinese restaurants and hotels."

Britain has 10,000 fish and chip shops and about 30,000 take-away food shops.

"Many of these shops could be put out of business and I would ask the pickets to think again about their action. This oil should be classed as vital," Mr. Jordan said.

The Transport and General Workers' Union said: "We would expect any employers' organisation such as this to be in touch with us.

"So far Mr. Jordan has not contacted us although we have a national liaison committee to deal with this sort of thing.

"He should specify places where there are problems and we will endeavour to deal with *them. We are sympathetic to* any information."

Ford feels hauliers' impact in Europe

By Kenneth Gooding, Motor Industry Correspondent

FORD'S European operations, which were disrupted by a *disrupted by a dispute* in the group last autumn, are feeling the impact of the UK hauliers' strike.

The group uses East Coast ports which have been choked by the dispute and Ford's exports and imports, of both cars and components, have been almost stopped. "Only a trickle is getting through in both directions," the company commented last night.

However, apart from the stoppage of tractor production at Basildon, Essex, involving 500 lay-offs, Ford estimates it is getting 90 per cent of production at its car and truck plants. It continues to review the position daily.

BL among the main UK car and truck producers continues to suffer most. As expected, all car assembly was ended at Cowley early yesterday, causing 5,000 lay-offs.

That is likely to have early repercussions on the Pressed Steel Fisher component subsidiary. BL said yesterday that the PSF plant, which makes body shells for Cowley, might have to lay off 1,500 workers today and possibly 3,000 by the weekend.

The bad weather exacerbated difficulties at the JRT (Jaguar Rover Triumph) factory at Solihull yesterday. Production of the Rover saloon there is beginning to look precarious.

Mounting chaos in North hits travellers

By Rhys David

TRAVELLERS suffered particularly as strikes continued to hit *the North of England yesterday*.

Passengers to and from Manchester, already frustrated by the lack of trains, also faced closure of the airport when the key fire control worker went on holiday. Because of union sanctions, he could not be replaced.

Major traffic jams were reported in most of the big cities including Manchester, Liverpool and Leeds as commuters took to the roads, and in parts of Manchester additional problems were caused by lightning bus strikes.

There are also signs of further trouble within the water industry inspite of the settlement reached last week in London with the employers. Workers in three areas — Macclesfield, Wirrall, and Ribble, are taking action and consumers in these areas are being told to boil water used for drinking or in cooking.

Mr. Colin Barnett, the leader of the National Union of Public Employees in the North West, also said that the widespread action by public service workers was likely to be stepped up with rota strikes.

Snowbound West gives up while both sides dig in

BY ROBIN REEVES, WELSH CORRESPONDENT

THE heaviest snowfall of the winter overshadowed the effects of the transport and public services disruption in Wales and the West country yesterday.

With many roads impassable, bus services as well as train services suspended, and hundreds of schools closed because of the weather, large numbers of people abandoned any thought *of struggling into work*.

In the haulage strike attitudes on both sides appeared to be hardening.

Mr. Peter Webb, the Road Haulage Association South Wales secretary, said his negotiating team might get together in the next couple of days, but his members had confirmed their resolve to stick to their offer of £60 for a 40-hour week.

On the union side Mr. George Wright, Welsh secretary of the Transport and General Workers' Union, accused the association of "deliberately interfering with the carrying of essential supplies." Their latest tactic is to create havoc to try to step up the political pressure."

In the South West employers and union negotiators meet in Bristol today to try to find a settlement.

Mr. Joe Cox, local Road Haulage Association secretary, did not dispute that 58 members had settled at near £65 for a 40-hour week, but they were a small percentage.

New peace plan agreed to end factory hold-ups

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE Confederation of British Industry and the transport union in Scotland yesterday agreed a procedure to try to minimise the effect of the haulage dispute on companies not directly involved.

Mr. John Beattie, deputy director of the confederation, said that it was disappointing that the code of conduct issued by the union last week had not done more to help industry.

Although there had been some easing of picketing many companies were still having serious problems.

"We have reached an agreement that any complaint of own-account traffic being stopped which cannot be resolved at district level will be taken up by us with Mr. Raymond MacDonald, the transport union regional officer for Scotland.

"He is a fairly big figure, a couple of cases for us and we are sure this will help considerably."

Picketing in the Aberdeen area was reduced to token levels yesterday while haulage drivers attended the funeral of Mr. Robert Watson, who was killed while picketing a Shell depot in the town last week.

Mr. Bruce Millan, Secretary of State for Scotland, said in the Commons that 32,000 workers were laid off as a result of the strike and that the position was likely to deteriorate sharply if the dispute continued. Production was seriously down and exports had been badly hit.

Journalists challenge union over strike

BY ALAN PIKE, LABOUR CORRESPONDENT

THE HIGH COURT was asked to declare yesterday that the seven-week-long provincial journalists' strike, which ended last week, was unconstitutional and called in breach of National Union of Journalists' rules.

Leaders of the chapel (office *union section*) at the Birmingham Post and Mail, where many journalists disobeyed the strike call, were granted a temporary injunction to prevent the union from taking disciplinary action against them.

They were also granted an order blocking attempts by the union to prevent them from serving as chapel officers.

The orders will remain in force until Tuesday, when the union will be able to be represented at a resumed hearing.

The Birmingham journalists contend that although only about 9,000 provincial members were immediately involved in the dispute, indirectly it involved most of the union's 29,000 members.

They argue that the union rules state that no withdrawal of employment affecting a majority of members should be sanctioned without a two-thirds majority in a ballot.

Mr. Alexander Irvine, QC, for the Birmingham journalists, told the court that the strike instruction was directed to provincial journalists and those on the Press Association news agency.

The NUJ executive also instructed freelance and public relations members not to supply material to provincial newspapers or the PA, and national newspapers not to handle PA *copy*. He *contended* that more than 20,000 NUJ members were involved, adding:

"We submit that not only was the strike called in breach of collective agreements which had a month to run, and which provided that there should be no industrial action until the disputes procedure part of the agreement had been exhausted, *but it was called in plain breach* of the rules of the union."

A disciplinary hearing against about 100 NUJ members who disobeyed the strike instruction is due to begin in Birmingham on Monday. Penalties could include fines, suspension or expulsion.

The NUJ emergency committee yesterday approved a *campaign of action designed to* gain the reinstatement of 28 journalists on the Nottingham Evening Post who were dismissed for taking part in the strike.

The 28 will receive full victimisation pay and all NUJ members are being told not to apply for jobs on the paper or supply it with material.

Callaghan sees Britain as new 'silicon valley'

BY PHILIP BASSETT, LABOUR STAFF

BRITAIN HAS a great chance of becoming the "silicon valley" of Europe, the Prime Minister told a TUC industrial strategy conference on electronics *yesterday*.

He said that the country was reasonably well placed to become a main micro-electronics centre with the U.S. and Japan, the two countries ahead of the field.

Mr. Callaghan described two interlinked strands of development. He said the *immediate* need to control inflation was the foundation of the Government's economic policies. Without that the country would not become more efficient.

Secondly, the UK must strengthen its productive base by greater efficiency. The longer-term industrial strategy was aimed at that, without it Britain would not achieve sustainable, non-inflationary growth in the real value of pay.

The industrial strategy was bringing together employers, workers and the Government and the TUC conferences were a welcome reminder of the constructive side of trade union*ism*.

Trade unionists could help by their readiness to change working *practices*. Better productivity would improve efficiency and the standard of living.

The Government had been trying to meet the challenge. The age of the intelligent machine had dawned, but priority should be given to humans.

Steel lay-offs top 26,000

THE BRITISH STEEL Corporation last night closed its plate mill at Scunthorpe, *laying off* almost 500 production workers. This brings total lay-offs in the steel industry to more than 26,000.

Officials at Scunthorpe blamed the three days of rail stoppages, the lorry drivers' dispute and bad weather.

Threatened Dunlop men want company blacked

FINANCIAL TIMES REPORTER

MORE THAN 2,000 workers facing dismissal at Dunlop's Speke tyre plant in Liverpool asked dockers not to handle Dunlop goods and the fuel supply unions and the road haulage men to black the company's products throughout the country.

Dunlop *said last week that it was to close the factory*, but at a mass meeting yesterday the Speke workers voted unanimously to fight the decision.

Mr. Charles Parker, the Transport and General Workers Union convener, said after the meeting: "Most of the support we need will have to come from outside. There is little we can do from inside. But I am pleased to see the way all the workers are determined to fight for their jobs."

The men will attempt to stop all goods entering or leaving the Speke plant and they have called on Merseyside and north-west MPs to block Government grants going to Dunlop. Scottish workers will refuse to accept work transferred from Liverpool.

Group opposes TUC 'monopoly'

BY ALAN PIKE, LABOUR CORRESPONDENT

MEMBERS OF non-TUC-affiliated trade unions are urged in a report published yesterday to "break the monopoly" of representation held by TUC organisations.

The Managerial, Professional and Staff Liaison Group says that "*complaints* couched in the strongest possible terms, supported by litigation, Parliamentary lobbying for equal rights, and any *other necessary action should* be lodged with any employer, local authority, institution, political party, government department or government that acts with anything less than rigorous impartiality towards all trade unions."

The group, a federation of non-TUC unions, claims an affiliated membership of more than 500,000, including scientists, doctors, dentists, bankers, teachers and engineers.

In its report it detects a pattern of "political manipulation . . . to establish and maintain a monopoly of employee representation at local, industry, enterprise and national level."

The TUC and its affiliated unions, the group complains, have:

Established a monopoly of employee representation on such bodies as industrial tribunals and the Advisory, *Conciliation and Arbitration* Service;

Instructed negotiators to withdraw from negotiating machinery "whenever an opportunity exists *to disrupt* or prevent recognition by employers of non-TUC affiliates or manipulate them into TUC affiliation";

Advised sponsored MPs to introduce legislation discriminating in favour of TUC unions.

Non-TUC-affiliated unions, the report says, have come to a point where they "distrust the ACAS Council in its dealings with recognition issues, although they acknowledge the fine work done by ACAS officials involved in conciliation, advice and arbitration, within the limits of their instructions."

Leaders of the non-TUC unions show some disagreement about how best to promote their objectives. Mr. Paul *Nicolson, who resigned* recently as general secretary of the Confederation of Employee Organisations, yesterday accused the liaison group *of failing to* grapple with the task of raising enough money to promote its objectives.

He said that the politically independent trade union movement "sometimes teeters on the edge of being a thinly disguised arm of the Conservative Party" and accused some of its affiliates of "intense parochialism."

NICK GARNETT ANALYSES WHY THE HAULAGE STRIKE HAS LASTED SO LONG

Struggle to see whose muscle fails first

THE LORRY drivers' strike, *which began unofficially in some* areas three weeks ago, has lasted longer than the employers and union expected.

Although there are indications that many haulage companies in four or five specific areas are prepared to concede the unions' money claim in full unless their drivers resume work fairly soon, some estimates suggest that the strike may last another week or two.

Factors that have lengthened the dispute include the Government's now ruined pay guideline; misjudgments by the employers' body, the Road Haulage Association and the Transport and General Workers' Union, and the nature of the industry's negotiating machinery.

The Government's 5 per cent guideline, which determined the initial offers by separate regions of the association, helped *significantly to provide* some national unity for the drivers, who are accustomed to regional settlements.

From that point, however, the responses of the association and the transport workers were based on what now appear to have been misconceptions.

The union underestimated the initial unity of the hauliers. Its belief that haulage companies were a "soft touch" had been reinforced last year when the union, without much difficulty, secured average rises of *15 per cent in breach* of the then ten per cent limit.

So far, the association's separate regions have refused to raise their present offer and its national officials have realised delightedly that the employers' body is not the paper tiger some union officials believed it to be.

On the other hand, the association probably made a negotiating error by lifting its offer from five per cent to 15 per cent in one go. That led the drivers to believe there was still more cash available.

Many hauliers would be prepared to settle *for* 17 to 19 per cent. If that became the going rate for deals, recognised by employers and union, the dispute would be over in a few days.

Both sides, however, have become entrenched, the union refusing to scale down its 23 per cent claim, the association giving no direct concession on its 15 per cent offer.

No elbow room for bargaining has been left contrasting with the recent pay talks for tanker drivers, who submitted a money claim of about 30 per cent and settled for about 13 per cent.

From the union's point of view, the unusual stance of fighting tooth and nail for a full money claim on basic rates has been determined by the industry's negotiating structure of separate regional negotiating committees. The union does not *want* national talks and, therefore, the hands of national leaders are to some extent tied.

Apart from that, the drivers have been wound up to expect a large money settlement and have seen an important part of their claim for a shorter working week to protect future overtime earnings abandoned.

Mr. Moss Evans, the union's general secretary, has also played a leading part in restricting the employers' negotiating position. Since the dispute was made official, he has consistently *stressed the justification* for the complete 23 per cent claim on basic rates.

In its turn, the association has seen the chance of making its presence felt nationally by trying to revert to national pay negotiations. That point emerged briefly during talks at the Advisory, Conciliation and Arbitration Service.

The private hauliers so far *have dug in, partly because they* maintain that they will find it hard to pass on resulting increased costs to customers.

Although they have virtually a monopoly, the association says that haulage companies that already pay well over minimum rates and for which the cost of settlement may therefore be less will have *more* elbow room than the others when quoting for contracts.

The dispute has become increasingly bitter and to some extent a *test of negotiating* virility, with both employers and union looking to see whose troops will crack first. At the moment, both sides think they are winning.

PM urges trade unionists to cross picket lines

BY PHILIP RAWSTORNE

MR. CALLAGHAN, asserting the public right to cross picket lines, bluntly warned the unions yesterday that there were limits to the nation's patience. There were also limits to Government spending on public services, he added.

The Prime Minister devoted most of his 15 minutes in the Commons to some plain speaking on pay and pickets. It scarcely endeared him to the Labour left but it helped quiet the rampant Tories.

Mrs. Margaret Thatcher had been waiting impatiently to repeat her offer of help to the Government in legislating to curb the pickets—and any other union powers. "Are you going to do nothing?" she demanded.

New laws would provide no remedies, Mr. Callaghan retorted. But he continued: "I assert very clearly that everyone has the right to work ... and to cross the picket lines. It is not a sacred object."

There was nothing in law to prevent people from crossing picket lines to carry out their duties.

Amid Tory protests, the Prime Minister said he saw no reason why anyone should be forced to stop work. There was nothing to stop any citizen crossing picket lines. "I would do so myself if I believed it were right."

He agreed with anxious Labour MPs that experience had made him sceptical of the effects of legislation on industrial relations.

Labour MPs received more discomforting candour in reply to questions about low pay of public service workers.

How could the Government's pay policy work in the public sector when strikers in private industry got what they wanted, asked Mr. Mike Thomas.

There was a difference between these sectors, Mr. Callaghan replied. "There is at least some operation of market disciplines in the private sector. People can lose jobs, as they are doing at the moment.

"In the public sector, nobody so far has lost his job as a result of wildly inflationary wage increases."

Things could change, he indicated. "There are limits to what the Government is prepared to ask Parliament to vote in the way of funds for public expenditure.

"If more money is taken up in higher wages, there is less for the services which public employees are there to provide. That is an inescapable truth."

Mr. Callaghan went on to ensure that it escaped none of his increasingly sullen left-wing. The Government would maintain strict monetary and fiscal policies, he said.

Public service workers should accept the Government's offer and allow it to get on with its primary task of reducing inflation.

Ms. Maureen Colquhoun (Lab. Northampton N) watched restively as the Prime Minister put his foot down. Did he now think he was too good to rub shoulders with the workers, she asked bitterly.

Mr. Callaghan retorted that he met as many workers as she did and knew what they were feeling. "Many of them feel that a great deal of what is going on is unnecessary, and should be stopped."

Spending advice pleases Minister

By Our Parliamentary Staff

MR. ALBERT BOOTH, the Employment Secretary, hinted in the Commons yesterday that he did not favour public spending cuts if big wage rises are forced in the public sector.

He was challenged by Mr. Frank Allaun (Lab. Salford E) over recent speeches by the Governor of the Bank of England and Mr. Joel Barnett, the Chief Secretary to the Treasury.

Mr. Allaun said that these speeches implying cuts in public expenditure were "completely unacceptable" to a Labour movement as they were bound to increase unemployment.

Mr. Booth replied: "I am more likely to be guided by what Mr. Allaun says than the two gentlemen he refers to in this question."

Concorde costs

THE TOTAL sum spent by the UK on development and production of Concorde, up to the end of 1978, was £792m, Mr. Leslie Huckfield, Parliamentary Under-Secretary for Industry, said in a written answer yesterday.

32,000 Scots laid off

BY IVOR OWEN

UNION PICKETS were urged to relax their stranglehold on the Scottish ports by Mr. Bruce Millan, the Scottish Secretary.

He told MPs that the effect of the lorry drivers' strike on the Scottish economy had so far resulted in the layoff of some 32,000 workers in manufacturing industry.

"This number is likely to rise sharply if the dispute continues," Mr. Millan warned.

Small businesses were being badly affected, and the flow of exports from manufacturing premises through the docks was severely curtailed.

Mr. Millan emphasised the impact being made by secondary picketing, though some slight easing of the position in some ports had been reported on Monday.

"I am anxious to see that we get the code of practice fully implemented and secondary picketing much reduced, then the problem at the ports in particular would be considerably lessened."

Loss of exports could mean los of jobs, Mr. Millan said.

Supplies of fresh food—bread, milk, meat, fruit and vegetables—were adequate. The main items in short supply were sugar, salt, margarine and cooking fats, cereals and frozen foods.

Difficulties with some food items had been reflected in the Scottish islands.

MPs demand more NEB facts

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Industry Bill, which raises the borrowing powers of the National Enterprise Board and its subsidiary companies by a further £3.5bn, ran into stiff opposition in the Commons last night.

The Liberals said they would vote for a Conservative amendment which opposed the second reading of the Bill on the grounds that the Government had not given enough financial details of NEB operations.

The amendment said there was totally inadequate documentary evidence of the board's performance and prospects.

When the second reading debate started last week, Mr. Eric Varley, Industry Secretary, announced that a study would be carried out of the role and function of the Auditor-General with a view to giving him wider powers.

MPs last night remained unsatisfied with this undertaking and sought a categorical promise that the Comptroller would be given access to NEB books to carry out a full examination and report to the Commons.

The Bill raises the borrowing ceiling for the NEB and its subsidiaries from its present limit of £1bn to £4.5bn over the next five years. Much of this is for its largest subsidiaries, BL and Rolls Royce.

Mr. Richard Wainwright, (L Colne Valley) stressed that, unlike the Tories, his party did not want to see the NEB run down. But he thought the proposed £4.5bn was a "horrific figure" and that there must be direct accountability for these "stupendous sums."

The Board should come to the House at fairly frequent intervals when it wanted more capital.

If the Government brought forward a more modest Bill, scaling down the requirements more in line with last week's expenditure White Paper, the Liberals would give it fair consideration.

Mr. Peter Hordern (C., Horsham and Crawley) alleged that the report and accounts of the Board were grossly misleading. The figures given showed the pre-interest return on investments. If the true cost to the taxpayer of public dividend capital was taken into account, the NEB would show a significant loss.

Tories to toughen supply day tactics

By Elinor Goodman

THE CONSERVATIVES have changed their tactics for tomorrow. Instead of using their supply day to attack the Government on the narrow subject of prices, they intend widening the debate to the whole economic and industrial situation.

The idea seems to be to phrase a motion couched in terms of the national interest.

In this way, the Tories will continue their policy of trying to project their party as one more concerned with the fate of the nation than in scoring party points.

The original idea had been to use the day allotted to them to choose the subject of the debate to attack the Government's record on prices.

But it is now felt that the industrial situation is is sufficiently serious to justify a broader debate.

The subject of prces will be dealt with when the Government brings forward its proposals for toughening up price controls.

The speakers for tomorrow's debate have yet to be selected but it is very unlikely that Mrs Thatcher will speak.

The feeling is that she did very well earlier this week and that she should not be overexposed.

Steel seeks all-party inflation policy pact

BY ELINOR GOODMAN

THE LIBERAL leader last night raised the possibility of an all party pact to reach a consensus on counter-inflation policy.

Mr. David Steel, who last year ruled out any formal agreement with the Tories, conceded that Mrs. Thatcher made sense when she called for a change in the balance of power held by the unions.

In a speech at the National Liberal Club, Mr. Steel repeated the idea—heard frequently during 1974—that considerable common ground existed between moderates in all parties.

Calling for a statutory wage freeze to hold the tide of wage claims until a longer-term counter-inflation policy could be agreed, he claimed that a clear majority existed across party lines for a package of proposals to control inflation and industrial anarchy.

Parties had a duty to discuss things among themselves, he said in what looks like a preview of Liberal election policy. The Government should not reject Mrs. Thatcher's offer of co-operation to secure fresh legislation merely because she had come "rather late in the day to the principle of inter-party cooperation in a common national cause."

Mr. Steel said that Mrs. Thatcher was right to raise the question of union power and secondary picketing, just as Mr. Callaghan was correct to stress the need to put the rights of the community above the rights of any group.

At present, Labour's left-wing exercised a veto over union legislation, while the Tory right-wing would exercise a veto over prices and incomes legislation by a Tory government.

Since the end of the Lib-Lab pact last year, the Liberals have begun to feel a little left out, with the Government taking more notice of the nationalist parties than of the Liberals.

Last night's speech would seem to represent a bid by Mr. Steel to get back into the mainstream, and to exploit what the Liberals believe to be increasing public dissatisfaction with partisan point scoring.

Booth urged to end stalemate at Times

THE Government has been asked by Tory and Labour MPs to try again to bring about a resumption of publication of The Times and Sunday Times.

Mr. Albert Booth, Employment Secretary, admitted yesterday that his efforts so far to bring about an agreement between the parties to the dispute had not succeeded.

He said some agreement had been reached in talks at his department and he urged MPs to use their influence with both sides to persuade them to implement it.

Government intervention in The Times dispute was urged by Mr. Christopher Price (Lab., Lewisham W), who accused Lord Thomson of taking his personal wealth—which had been pledged to support The Times—to Canada.

"The Government bears a real responsibility to make proper arrangements if the titles of Times Newspapers are sold to somebody else," he said.

Mr. Booth said the Government aimed to keep as many newspaper titles as possible in existence in the provinces and Fleet Street.

Mr. Philip Whitehead (Lab., Derby N) urged Mr. Booth to make another attempt to get the parties together as more and more Times employees were being dismissed.

"We are losing two great national institutions in what is really a management virility symbol."

Mr. Booth said the dispute was very complicated and one in which it was only too easy to apportion blame to the various parties.

"We can and have agreed a way to remove many of the barriers to a recommencement of Times publication. That is what I want to do as speedily as possible."

● Alan Pike, Labour correspondent, writes: In mid-December, Mr. Booth persuaded Times Newspapers management and the print unions to accept a formula which would have cleared the way for negotiations on all issues, including new technology.

The unions, however, are not prepared to negotiate unless the company lifts dismissal notices sent to about 3,000 employees and the prospect of talks remains deadlocked by this issue.

Ulster hopes rise

BY OUR BELFAST CORRESPONDENT

THE MAIN political parties in Northern Ireland will soon begin a new round of talks with Mr. Roy Mason, the Ulster Secretary, in another effort to find a consensus which would lead to devolution of a wide range of powers to a local assembly.

At his meeting in London today with Mr. Michael O'Kennedy, the Irish Foreign Minister, Mr. Mason will be able to hold out some hope that the stalemate in Ulster might be broken.

There is little outward sign of a change of attitude on the part of the major blocs in the province.

Mr. Mason said in a letter to party leaders this week, however, that he was encouraged by "fresh thoughts, signs of flexibility and a readiness to recognise the interest of others" in meetings before Christmas.

Help for small companies

BY ANDREW TAYLOR

CONSERVATIVE MPs are beginning to press the Government to exclude small private companies from certain aspects of the Companies Bill, which has now reached committee stage.

The Opposition has already successfully included an amendment to the Bill creating a new category of private business—the proprietary company—which it hopes to use as a springboard for further amendments.

Proprietary companies include small private businesses with net assets of less than £1m, with fewer than 200 employees and—most important—where all shareholders are directors.

Yesterday Conservative MPs further tested the Government with additional amendments which would have excluded proprietary companies from parts of the Bill which lay down a framework of rules under which companies are able to issue new shares.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Unilever squares up to the economic slowdown

BY CHRISTOPHER LORENZ

MANAGEMENTS SHOULD stop pretending to themselves and their shareholders that the world economic slowdown necessarily means slower corporate growth. Recognising that, as growth falls, risk increases, managers should get out from under their desks, *formulate a proper strategy, and manage.*

This was the overriding theme to emerge from presentations by some of Europe's largest companies on "Strategies for the Early 1980s" at a conference in Brussels last week.

Too many companies had relied simply on expansion of the market, rather than active management, to increase their sales and profits in the golden sixties and early seventies, said one speaker at the conference, which was organised by Eurofinance, the Paris-based *investment research organisation,* and attended by more than 200 top European financiers.

The most revealing analysis of past and future strategy was given by Unilever, in the person of its chairman, Mr. H. F. van den Hoven, and its director for corporate development, Mr. H. Meij. Mr van den Hoven outlined Unilever's ambitious long-term aims, Mr. Meij gave an unusually detailed insight into the varied geographic and product strategy of this normally shy multinational.

Unilever, the Anglo-Dutch foods to chemicals group, might seem to be in the front line of any slowdown in consumer spending. But it intends to continue to grow just as fast *as in the past, in real terms,* the conference was told by the Chairman of its Dutch arm, Mr. H. F. van den Hoven. And it wants to generate enough profit to finance this growth out of its own reserves. So profitability will have to be improved.

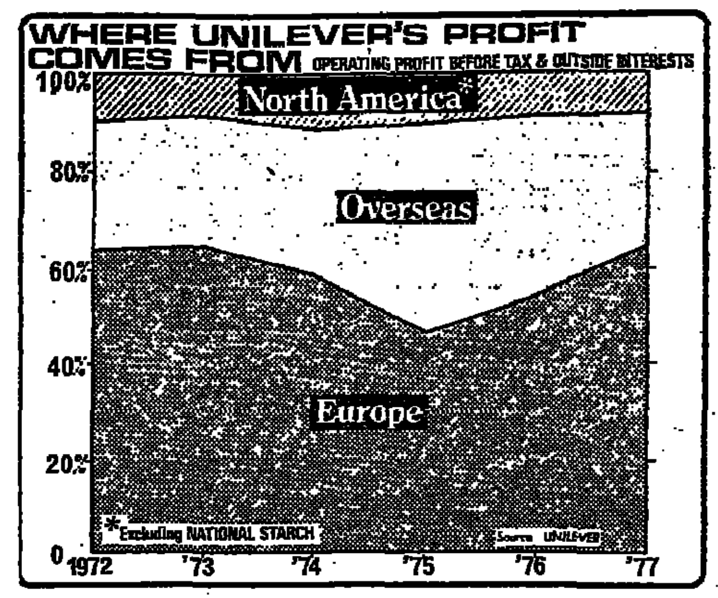
Seizing one of the fiercest bulls by the horns, Mr. van den Hoven said he was fully prepared to see a gradual increase of local participation in Unilever's subsidiaries in developing countries—a trend he refuses to describe as a "problem," in contrast with many other multinationals, and in spite of the disruption caused by enforced participation in Unilever's Nigerian interests.

Analysing Unilever's performance and policies over the past 10 to 15 years, Mr. Meij said its annual growth had been roughly in line with increasing consumer expenditure in the countries where it operated, with acquisitions adding another half or one per cent to that. But profits had failed to keep pace.

Europe had remained the source of about 70 per cent of Unilever's sales, though not profits, while the North American contribution to both sales and profits had fallen. Sales and especially profits from the rest of the world (what Unilever terms "overseas") had risen very substantially, though the profits rise had been increasingly offset by local participation—particularly the loss of majority control in Nigeria. The changing geographic profits mix is illustrated in the diagram.

The major changes in product patterns were continued expansion in frozen foods, ice cream and tea, and a doubling in 10 years of interests in industrial food supplies (such as industrial fats). Unilever had also moved into "specialty products" for industrial use; it now claimed to be a world leader in fatty acids, for example. One of the main reasons for the success of UAC (formerly the United Africa Company), was its move into relatively high value-added products, said Mr. Meij.

Turning to the future, Mr. Meij's first point was that growth in Europe would probably be at least one per cent below the previous rates, and perhaps as much as two or three per cent below. So Europe's proportion of Unilever's sales would fall.



But profitability would be boosted in several ways. Better use would be made of capital, by adapting cost structures to *lower growth. This would* include a reduction of overheads "by altering power structures." Mr. Meij also cited rationalisation in several sectors, including meat, chemicals and packaging.

The strategy of moving into premium products in Europe would be continued in all product areas. Unilever expected increased demand for *convenience products in all areas, so* it should be possible to raise gross margins all round, said Mr. Meij. This was all the more necessary because of the growing burden of tax (especially in West Germany).

Commenting on suggestions that Unilever was over-dependent on the UK, a low-growth country, Mr. van den Hoven said that UK consumer spending was not only surprisingly high, but that "margins from some of our UK businesses are greater than from the Continent."

Outside Europe and North America, Unilever was still primarily a detergent company, with the exception of UAC, Mr. Meij said. "Overseas" markets accounted for over a third of Unilever's detergent sales, and even more of profits. But sales of toiletries and animal fats were increasing fast. Overall, overseas growth should be "considerable," he said, with sales growing at least as fast as purchasing power.

Mr. Meij laid great emphasis on Unilever's expansion plans in the United States. Not only was economic growth expected to be more rapid than in Europe, but Unilever had a low market penetration. Further incentives were that the U.S. was the source of many technological innovations which affected Unilever's products, and that most of the group's main competitors were based there. "Business profitability" was also higher in the U.S. than in Europe.

Surveying the group's U.S. interests, Mr. Meij said Lipton was a market leader (in such products as tea and dry soups). Mr. van den Hoven added that Lipton (which is unconnected with the UK supermarket chain of that name) was also number two in the very large salad dressings market. Lipton was one of the most successful companies in the U.S., with a consistent 10 per cent growth in both profits and sales.

On the other hand, Mr. Meij admitted that Lever Brothers had not been growing at a satisfactory rate, and considerable attention was being paid to getting things right.

Unilever was also going for growth through acquisition. Hence its purchase last year of National Starch and Chemical Corporation, which was "financially sound and excellently managed," and was providing 5 per cent of Unilever's total profits.

As for Unilever's future world product "mix," Mr. Meij said the group did not have "the Volkswagen problem" (of a relatively narrow product range, from which diversification was necessary). So Unilever intended to remain "within, or in the fringes of, its existing product groups," in a known technology and distribution pattern. "The risks of further diversification would be very considerable," he said.

Consumer products would continue to account for between 60 and 70 per cent of sales, with the "overseas" sector growing faster than Europe, while industrial product sales would grow relatively fast in Europe and the U.S.

Unilever's research efforts (currently running at about £250m), were being largely concentrated on improving existing products and processes.

Mr. Meij expected Unilever's cash flow to continue to be sufficient for its growth needs. But he was asked, would this still apply if there were a sizeable increase in the price of raw materials?

Admitting that the group's working capital was large—about 38 per cent of sales, and roughly equal to its investment in fixed assets—Mr. Meij said the most severe impact he could envisage was the equivalent of 6 per cent of sales. This had been taken into account in Unilever's financial strategy. It was one of the reasons why a large cash reserve, equivalent to about 4 per cent of sales, was maintained.

BUSINESS PROBLEM

BY OUR LEGAL STAFF

Employee's notice

In the event of a closing down sale of a business where an employee is resident as rent free tenant of a house within the grounds of the works premises can you advise on (a) the form of notice to the tenant to vacate the property and (b) the period of time required by law for such notice to become effective.

Both questions depend on the terms on which the employee held the house, and in the absence of a full record of the express terms, on the nature and periodicity of his payment. A notice would have to be drafted with all these terms in mind, and should give not less than 28 clear days' notice, but may have to give a longer period.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Bringing grey literature in from the cold

BY JASON CRISP

YOU MIGHT be forgiven for believing that a document is either published or it isn't. But this is not so—there is a twilight world where information is "semi-published" and is called by the experts "grey literature."

Grey literature, according to a recently established definition, is material which is not issued through normal commercial publication channels—which means it is usually very difficult to gain access to it. The problem is that such publications enter a strange limbo known only to a very few people and it means that others, who may be very interested in the information they contain, will seldom stumble across them even after the most thorough research.

Because the European Commission believes that the community could benefit from access to this knowledge, it is moving towards bringing grey literature in from the cold.

Grey literature might be something as simple as a promotional brochure or technical specification of a company's product. Alternatively it might be something altogether more esoteric, such as a thesis or conference papers which have not been published in a learned journal. In addition there are many sources of scientific, technical, social and economic information which only "semi-publish" their work.

Existence

An example could be a research laboratory which publishes a report. It prints a couple of hundred copies which it posts to organisations on its mailing list. This is perfectly satisfactory for those on the mailing list but it does not cater for those people and organisations who will never even learn of its existence. Yet the market for such a specialised work is so small to make it not worthwhile publishing commercially.

The Commission of European Communities has turned its mind to the problems of grey literature on the grounds that information is a valuable commodity—especially in Western society—and that available documents should not be lost to those who could use them because they are unaware of their existence.

"This is a serious problem for an economy, such as that of the European Community, the health of which is largely based on the judicious application of new knowledge," a Community document recently noted.

It was to seek solutions to this problem that 30 experts from the nine countries gathered in York at the end of last year. They tried to define grey literature and, more importantly, to look at how potential users of these semi-published works could become aware of their existence.

The problems of making grey material accessible to the researcher are immense. There is the physical difficulty of gathering the information from the many and diverse publishers of this type of literature—the problem here is as much one of education as anything else.

The collection of information can be in two basic forms; the title and details of the publication and where to get it or, second, a physical collection of the documents themselves.

At the other end of the process is the need to have a sufficiently broad form of identification so that a searcher for information does not miss documents—thus failing to solve the problem anyway.

One of the major conclusions of the York conference was that each of the member states should set up a national authority to collect its own country's grey literature and to create a data-base—a full information on each publication, classified and stored in a computer.

If each country established a data-base it could be linked via Euronet, the European communications network, to give maximum access to information.

According to John Gibb, head of the Commission's Department for Dissemination of Research Results, once a database was established it would be possible to produce catalogues based on the information gathered, although eventually all access would be direct, by computer.

Although the database would only contain the most fundamental information — title, author, corporate author and where to get it, as well as an identifying code—it could be offered to secondary abstracting and indexing services, concluded the York conference.

Pilot

This would enable users to read abstracts of documents, to assist in determining their value.

Gibb emphasises that the system has to be as "light" as possible to ensure ease and breadth of search. He suggests a "key" word system which as well as being broad has the additional advantage of being expandable. An example of this might be a company seeking a technical solution to a problem which had already been found in a field unrelated to its own.

"It will obviously be some years before the 'grey' literature of Europe automatically becomes recorded at a central point. Only new publications would be recorded, because of its impossibility of collecting existing work and because of the relatively short life of much research. But a pilot is being started in Belgium and Gibb is very optimistic—he expects several national databases to be formed within two years. "I am conscious of a powerful spirit of co-operation here at the Commission," he explained.

The limiting factor to the establishment of databases of grey literature is not the technology but the problem of building up the information, says Gibb. Which means the producers of the semi-published works will need educating to the benefits of registering their material.

Demand for this type of information is increasing, he says. Throughout companies research is growing—not just in design, production and research departments, but marketing and personnel too.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Cement and glass make new board

COMPLETION has been announced by TAC Construction Materials (Turner and Newall Group) of a major £3m investment programme at Widnes, covering a production facility for new types of glass reinforced cement (GRC) sheet and for asbestos-cement slates.

These plants form part of an overall £11m expansion project, which has already brought the completion of a £4.6m lightweight block factory at Alfreton. Further investments amounting to about £1m are planned for asbestos cement manufacturing plants at Erith and Tamworth.

As part of the Widnes development, the launching of Tac*board must be singled out as of* major importance since the company claims it is the first GRC-type material to be produced in Britain at a price low enough to allow it to be used in practically any general building board application.

Price reductions have been *made possible by the development* of volume production methods at Widnes and UK and foreign patents are being sought to protect this knowhow since Tacboard is expected to find a ready and extensive market both in the U.S. and in EEC countries.

TAC underlines that the product is complementary to existing asbestos cement materials and claims that it is the first company anywhere to go over to mass-production of a GRC material.

Starting material is a cement reinforced with an alkaline-resistant glass. Laminations are built up to the required thickness on revolving mandrels in an adaptation of the asbestos-cement technology perfected by TAC.

The result is a tough, flexible and impact-resistant flat board. Competing GRC materials are generally produced by the comparatively *expensive spray-up* process.

Because the material is strong, thinner boards can be used than is the case with other asbestos-free alternatives. Meanwhile, it qualifies as a Class O surface for fire-resistance and can be used, for instance, for *constructing or upgrading fire* doors.

TAC Construction Materials, POB 22 Trafford Park, Manchester M17 1RU. 061-872 2181.

Easily-used fine wires

DEVELOPED IN Sweden by Orebro Kabel AB, insulated fine wires in 24, 26, 28 and 30 AWG with particularly good "simultaneous cut, strip and wrap properties" have been introduced by the British associate, Selbar Cables of Litherland, Merseyside.

This CSW range of wires is made by a particular melt extrusion technique in which the easy strip properties of the Dupont Tefzel (a modified *fluoropolymer*) are further increased.

The wires are particularly suited for wrapping to terminals where the cut, strip and wrap operations are carried out with one high speed rotating operation using any pneumatic or electrically powered tool of normal torque output.

Cost falls between that of PVC and the more expensive polyester laminate alternatives.

More from Selbar Cables, 65 Penrhyn Avenue, Liverpool L21 6ND Merseyside (051-920 0570).

Pump maker bids for growth

A NEW range of pumps, new test house facilities and the acquisition of the latest numerically-controlled machine tools to supplement the main machine shop, are some of the moves made by SSP Pumps (part of Mono Group), Birch Road, Lottbridge Drove, Eastbourne, East Sussex BN23 6PQ (0323 27787) to increase its *share of the market.*

The company—which started in a back bedroom with two employees 21 years ago—celebrates its birthday with the introduction of pumps now made of ductile iron—a major departure from the conventional use of stainless steel for the product wetted parts of positive lobe-rotor pumps.

Malleable spheroidal and graphitic ductile iron does not have the same brittle characteristics as cast iron and because it is more economical than stainless steel, the company says it can offer its established high standards of positive displacement pump performance and reliability at very competitive prices.

This suggests an entirely new field of industrial applications for the pumps where hygienic and highly corrosive considerations — already adequately covered by existing models — *are not critical.*

Until now, all its lobe-rotor pumps have been built in stainless steel—a specific demand in the area of nuclear energy. However, for pumping industrial non-corrosive or mildly abrasive products, the inherent properties of the substituted material should offer an additional competitive edge.

Reliable lobe-rotor pump performance absolutely depends on precise tolerances in the synchronisation of the two rotors and the clearance between these and the faces of the pumping chamber. Many of the casing components and rotors are cast, then machine finished to required tolerances, while the shafts are machined from solid bar.

Despite the skill of operatives responsible for the machining of the components, the slight variation in finished sizes necessitated a hand lapping operation. However, with the company's increased numerically controlled machine facility, greater component accuracy is being achieved, thus reducing the need for hand finishing and freeing the engineers for other operations elsewhere in the plant.

The test house enables a variety of exhaustive checks to be carried out under controlled conditions on both new and existing designs of lobe-rotor pumps, and provide valuable data on the company's product performance.

● INSTRUMENTS

Resistive tape finds the level

AN UNUSUAL type of tank contents measuring gauge made by Metritape in the U.S. is offered in the UK by Marine Ventures of London.

The tape is permanently inserted in the tank contents and as the level moves up or down its electrical resistance alters in proportion giving a measure of depth.

Basically the sensor strip is a stainless steel tape insulated on one side and the edges only. A flat resistance wire is wound round this to form a continuous helix with an accurate pitch, and an enclosing outer jacket of thin plastic layers serves as a pressure diaphragm.

The liquid or other material in the tank compresses this jacket and shorts all the helix turns (on to the stainless steel strip) that are submerged. The winding is arranged so that one ohm is equivalent to one centimetre of depth and a digital readout with this increment is provided, locally or remotely.

Protected within a perforated pipe anchored to the tank bottom, the sensor is effective in any flowing material and is unaffected by any form of tank washing.

Each sensor manufactured is terminated to the specified length by techniques which maintain tensile strength and a tightly sealed envelope. A breather at the top of the sensor contains chemicals for drying and protection from corrosion and completes isolation of the electrical system from the external environment.

More from 8, Waterloo Place, London SW1Y 4BE (01-930 0515).

● TRANSPORT

Roadside weight check

A MEANS of rapidly checking commercial vehicle loading at the roadside, with minimum delay and inconvenience to the drivers is offered in a system developed by Mangood.

Basically it consists of a turning off the main road which itself divides again. When the driver first turns off the highway he drives over an in-motion weighing system at speeds up to 30 mph. This makes use of embedded load cells and gives gross and axle weights to within 10 per cent.

When the vehicle is obviously within the limits of 32 tonnes gross or 10 tonnes per axle an electric sign directs the driver back on to the highway without delay.

Displays are presented on a cathode ray tube with a keyboard which allows the operator to initiate subsequent procedures, and the equipment is controlled by a microprocessor. The screen shows the last three vehicles weighed and the terminal can if desired be connected to a tape system for permanent recording, a ticket printer and a speed recording device.

If this initial weighing indicates a possible overload, the sign directs the driver to a stationary weighing system on the secondary lay-by, where a check is made to 1 per cent.

This consists of four 10 feet wide platforms of lengths 50, 6, 6 and 40 feet, each operating independently and separated by a 1 inch gap. These platforms are fully restrained and of steel construction with reinforced concrete deck, mounted on compression strain gauge load cells. Each platform is connected to a separate electronic weighing system in an adjacent weigh-house.

More from Mangood, Polofield Estate, Panteg, Pontypool, Gwent NP4 5YP (04955 55112).

● ELECTRONICS

A graphic display

EQUIPMENT designed by Sigma Electronics to convert existing alpanumeric displays into a comprehensive full-graphics VDU is to be sold throughout the UK by Computer Marketing.

Sigma 5250 graphic option controller is a small microprocessor-based raster scan graphics generator with completely machine-independent communication protocols suitable for fitting to virtually any type of video display unit.

It enables a user to produce lines, symbols and histograms at the touch of a key. Applications include computer-assisted learning, engineering design, patients' medical records, or any use where both graphic and alphanumeric data is required.

Further details from Ecfield House, 641, London Road, West Thurrock, Essex. 04026 7161.

● DATA PROCESSING

CDC's new giant

LIKE THE reports of Mark Twain's death, those of the coming demise of the very large computer are greatly exaggerated, and Control Data Corporation, known since the early part of the 60s for its work on big, advanced scientific machines, is continuing to pursue their development.

Latest super-computer from CDC is the Cyber 203, described as the first model in a new series, capable of carrying out 100m calculations per second.

This ability makes it particularly suitable for solving the complex equations which are at the basis of 24-hour weather predictions and, indeed, the first orders for these large machines—which cost about $8m each—indicate that they will be used in forecasting work, including a commercial service to be provided to Hughes Airwest by Global Weather Dynamics.

Other applications for these machines, which are far ahead of anything so far designed by competing companies, include solving very large numbers of simultaneous equations, necessary when building computer models of such things as big oilfields. A 203 is to be used by Sohio Petroleum Company to solve, repeatedly, 46,000 of these equations in work on the Prudhoe Bay field in Alaska.

CDC learned a great deal about very large machines through its work on the Star 100, first computer to use what is known as vector processing to get round the comparative slowness of serial operations, but a design which gave the company considerable problems.

In the 203, it has incorporated large-scale integrated circuits developed for CDC in a joint programme with Fairchild and now marketed by the latter for general use.

Only 14 types of LSI are used in the machine which has a choice of memories running up to 2m 64-bit words. It has 12 input/output channels, each of which can handle 40m binary digits of information a second.

But CDC, while unveiling this new giant, has indicated that it is the baby of the range to come and that its larger brethren will have magnetic bubble and/or electron beam memories, as well as more powerful peripherals still under development.

Control Data, 22A, St James's Square, London, SW1. 01-930 7344.

● PROCESSES

No-solvent coating

FLEXIBLE equipment for the airless spray application of solvent-free coating materials has been developed by Graco. Typical uses are in the coating of large structures such as ships' hulls, locks, bridges, dams and storage tanks.

The modular Fixed Ratio Hydra-Cat, is the name of the new system. It is air-powered and offers a choice of delivery volumes and pressures and a range of fixed mix ratios from 1:1 to 4:1. Options allow the system to be tailored to meet many different coating requirements.

Basic equipment consists of a proportioning pump using interchangeable air motors and a range of lower pump assemblies; a solvent flush pump and two air-powered, elevator-mounted feed pumps with drum covers—one for each component.

This basic system can be expanded as required with fluid heaters for viscosity reduction—up to four can be fitted; material recirculation hoses and valves; either manual or automatic; and a remote sledge-mounted static or power mixer. The latter feeds an airless spray gun via a short high pressure hose. A pneumatic high/low ratio-monitoring system can be specified too. Should the unit go off ratio, this device immediately shuts down the system.

Other options include heated material hoses and, for certain applications, heated gravity-feed tanks in place of the two feed pumps.

Graco Europe, 113 Rue des Solets, 94523, Rungis-Silic France.

FINANCIAL TIMES SURVEY

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Building Societies

Like other financial institutions, the building societies were beset last year by a number of problems — not least fluctuating interest rates and an official ceiling on lending. Demand for home ownership remains strong, however, and the societies will be hoping for calmer conditions in the current year.

Trying to cope with demand

By Michael Cassell

THE BUILDING societies' impressive effort to help the spread of home ownership during 1978 disguised what for the industry itself was in many ways a troublesome year. As the societies pursued their fundamental role of attracting and lending out money for mortgages they found themselves deeply immersed in a succession of problems which they would rather not have encountered. By the start of 1979 few of the problems had been resolved.

Last year started well enough. The societies had notched up another year of records in 1977 and were in a good position to continue on the same path. They were recording a high net inflow of new savings, offering a competitive interest rate and working in a favourable financial climate, with Minimum Lending Rate at 7 per cent and their own liquidity levels at an average 21 per cent.

With the year only two weeks old the societies felt able to reduce the mortgage rate to its lowest level for nearly five years and to predict that the level of home loans arranged in the next year was set to rise substantially.

While just about every other factor affecting their operations was set to change, however, the societies managed to honour their predictions on mortgage lending. During the past year the movement made about 800,000 home loans to house buyers ,a rise of over 60,000 on the previous 12-months. They actually advanced around £8.7bn, a 26 per cent increase on the 1977 record total of £6.8bn.

Of the 800,000 home buyers helped, an estimated 375,000 were buying property for the first time, representing a minor reduction on the record levels achieved at the start of the decade, but a trend to be expected as owner occupation continues to spread and the number of first-time purchasers falls. The societies were able to claim that they had enabled over 3m families to purchase their first homes in the 10 years up to the end of 1978.

But almost from the very beginning of last year conditions for the societies became less favourable and their problems began to mount. Political dilemmas also figured strongly, with Government concern over house price inflation leading to the largely unwelcome imposition of lending ceilings and with the collapse of the Grays Building Society — regarded as a "blemish" on the industry's history.

Targets

It is to their credit that despite the sharp change in climate to which the societies were subjected and their necessary preoccupation with a wider set of problems, they stuck to and suceeded in meeting their original targets.

The societies enter 1979 in a far less favourable position than the one existing twelve months ago and because of the heavy drain on resources experienced in 1978, the societies could face a potentially difficult time ahead.

In the short term they confront an MLR of 12½ per cent, which has led to the introduction of the second highest mortgage rate on record (11¾ per cent) and now find themselves with an average liquidity level down to around 17 per cent and still falling.

The figures show that the societies took in about £3.3bn in net receipts during 1978 (against £4.7bn in the previous year) although they managed to advance nearly £2bn more than in 1977. To achieve this it was necessary for them to add about £1.7bn of liquid funds to repayments of principal, a course they will be very anxious to avoid during 1979.

Competition from other investment institutions is particularly strong and it seems unlikely that the societies will be able to contemplate any further significant increase in lending until a decline in interest rates generally improves their own competitive position.

They are at least fairly confident that with the rate of house price increases becoming more normal, lending levels need not be subjected to the type of arbitrary reductions imposed last year following the Government's intervention.

Whether the societies are forced to trim lending programmes because of a continuing shortage of new funds and a reluctance to cushion advances with liquidity remains to be seen however. The go-ahead for further interest rate rises would not seem very likely in front of a seemingly now inevitable general election.

The societies are also well aware that demand for loans has shown no sign of falling off, despite the recent rises in the cost of home loans and the substantial increases recorded in average house prices. It is tempting to suggest that perhaps the societies and various governments have conspired to create a demand with which, despite past successes, they are unable to cope.

The queues for mortgages remain long and impatient, constantly tarnishing the societies' laudible efforts, and the desire for owner occupation grows increasingly strong. With 54 per cent of the country's housing stock now privately owned, the opportunities for further growth of privately owned tenure can hardly said to have been exhausted.

How the societies can begin to cope with the demand remains one of their most pressing problems. The chief executive of one of the major societies recently predicted that it would double in the next five years. Mr. Alan Mason of the Provincial suggested that advances would very soon exceed 1m in number and that it was not unreasonable to assume that, by 1984, mortgage advances would be £14bn.

Mr. Mason, whose views about which way the societies must move in order to maintain their past successes are not universally shared, does not necessarily believe that these figures will be achieved but is convinced that demand will justify a lending programme of this magnitude.

Neither will some of his suggestions for securing an adequate and constant supply of funds and for overcoming the apparent weakness of stable capital be accepted by all his colleagues, but the debate would appear to be essential.

Few people would quarrel with Mr. Mason's assumption that the problem of raising funds sufficient to meet the future rate of mortgage demand and the prospect of competition for their traditional business from other quarters is going to represent a major task. There seems little doubt that, at least in some respects, the industry's structure will need to be changed, though its fundamental role should remain the same.

The proposals that in order to encourage larger investments and greater stability by offering nominal interest on smaller and expensive-to-service accounts is not new, but it is the type of option which societies will soon have to examine.

Potential

Calls last year from the Governor of the Bank of England for societies to examine the potential for tapping money from institutions and to look to the wholesale money market as an alternative to the private individual will also provide considerable food for thought, though such developments—also envisaged in the Housing Policy Review—would be considered by many societies to remain a long way off.

Some believe a great deal can and should be done to attract more funds from the industry's traditional sources, at least partially by offering a far wider range of financial services for investors—even if such a course involves what they would regard as an inevitable collision with the banks.

But 1978 will be remembered for the birth of two specific problems for the industry, the first being the Government's further intrusion into the industry's affairs in the shape of the agreement to set down quarterly mortgage lending ceilings. Having accepted for some time that interest rates charged by the industry can effectively be set by Ministers of the day, societies now have to face the fact that Government has also established a precedent for guiding future lending programmes and found another device for helping to contain inflation.

The societies publicly emphasise that the lending quotas have been mutually agreed and not been imposed from above. But behind their more private opposition to the scheme is a resolute denial that societies can be held primarily responsible for price movements in the housing market.

Perhaps the Government's intervention was the natural conclusion to a period in which the societies' reluctance to incur the displeasure of Ministers, for fear of stirring up threats of tighter controls, had itself been instrumental in whittling away much of the independence they were so anxious to protect. And despite the serious objections held by many societies expected to cooperate in the lending limit concept, few voices were publicly raised in opposition.

For the time being at least the lending ceilings remain in force, though the situation has changed dramatically since they were introduced. Societies are now struggling to raise sufficient funds rather than having to impose artificial constraints on lending. The irony is that for much of 1978 societies were not in any case able to lend up to the agreed limits without drawing heavily on liquid funds, a situation which remains with them at the start of 1979.

No review of the past year can overlook either the affair of the Grays, the details of which are now well recorded but from which the repercussions are still awaited.

The results of an inquiry into the £7m shortfall exposed in a small East London society is due in the spring, and whatever its conclusions the affair can be expected to lead to several changes in building society rules and regulations. The establishment of a fund to cover any similar incidents in future is also near.

So although the building society movement will in some respects be hoping to repeat or improve upon its performance in 1978, there will be elements of the past 12 months which it will clearly wish to leave behind.

Leaders take a closer look at opportunities in Europe

A LEADING *Bausparkass* —the nearest German equivalent to a UK building society — has recently established an experimental office in Luxembourg. On its own that may seem a *small and perhaps unexciting* step but its purpose was plain and the implications could be highly significant. The Luxembourg venture, in fact, is the first practical example of activity across EEC frontiers in the politically sensitive field of housing finance.

Up to now building societies—and similar institutions elsewhere in Europe—have operated strictly within national boundaries. UK Societies may have outgrown their provisional origins but until recently their relevance beyond Dover had not been seriously considered. But just as banks and insurance companies have for some time now been spreading their wings abroad, the day when the Halifax or Nationwide open their doors to customers in France or Belgium may not be far off.

Ever since Britain joined the EEC in 1972, UK building societies have been discussing the possibilities of opening branches outside this country. But last year the debate began in earnest.

Two research groups, for example, were set up by the Building Societies Association (BSA) to look into the legal, financial and marketing complications which building societies will face when and if business begins on the Continent. The two countries which they have set out to examine are West Germany and Belgium.

In Belgium there is a big colony of UK expatriates centred round NATO and the EEC institutions. It is thought that this nucleus may provide a suitable customer base for the future. Moreover, if people did not wish actually to buy a house in Belgium, branches on their doorstep would afford a suitable opportunity to save for a day when they returned to the UK.

The reasons for studying conditions in W. Germany are more nebulous. German thrift and prosperity are considered qualities which should be compatible with the desire for home ownership and hence the establishment of branches could meet with a healthy response. The German *Bausparkassen* meanwhile are s econd only in size to the British building society movement, which has assets of almost £40bn.

These studies—which are primarily a means of preparing the way for changes which will be needed in the law should be seen against a background of *already well developed* European contacts by British building societies.

Member

The BSA, for instance, is a member of the European Community Mortgage Federation *(ECMF) and the European* Federation of Savings and Loan Institutions for Construction (sometimes referred to as the European Federation of Building Societies—EFBS). The ECMF is the more broadly based and members are drawn from fields outside the housing sector, such as industry and shipping. The EFBS, on the other hand, is closer in spirit to the BSA while its make-up is much more specialist. The Federation's triennial Congress will be held in London next September, for the first time.

Another channel of information *is the City EEC Committee* which keeps the BSA (as one of the committee's members) in touch with the attitudes of other British institutions on questions of EEC policy.

Just how seriously building societies are taking the opportunities provided by fresh European pastures can be seen by plans to hold a weekend seminar in the Midlands in March. The gathering will be opened by Mr. Christopher Tugendhat, the EEC Commissioner responsible for financial institutions, who has already expressed strong support for the principle of building societies commencing operations in Europe.

Despite all the talking, however, there are still a number of obstacles and we may be well into the next decade before building societies get the go-ahead to cross the Channel. Moreover, with the demand for mortgages stronger than ever in this country, some people question the wisdom of a socially responsible mutual movement expanding beyond its national boundaries.

The BSA's justification, however, is that Continental branches are a logical result of Britain's membership of the EEC. Just as locally based *societies (the Leeds, Halifax,* Bradford and Bingley, for example) have become national, so UK building societies should be ready to become European.

More specifically, UK building society leaders feel they have plenty to offer. Their service has several advantages over most of their European counterparts—such as no obligatory savings period (in normal times) and compartively large advances (relative to the total house price). Although societies do not make distributable profits, societies argue that they should in time contribute to Britain's invisible earnings.

A *further* and more recent motive for prompt action in regard to the whole question of Europe can best be illustrated by the Luxembourg office which began this article.

As the BSA points out in its evidence to the Wilson Committee: "The Government should not allow a situation to develop whereby the *Bausparkassen*, for instance, are empowered to operate in Great Britain but the building societies remain without powers to operate in West Germany."

In other words there is some concern that the Germans should not steal a march on their UK counterparts.

The British Government, in fact, does not at the moment appear particularly eager to push through the necessary changes. For example, it has deferred for the purposes of building societies the EEC's First Directive on Credit Institutions in December 1977 which required member States to lay down minimum standards permitting financial institutions to operate anywhere in the EEC. (Under the Treaty of Rome directives are intended to state the object which is to be advanced while the means of getting there is left to individual countries.)

The First Directive of December 1977, therefore, provided a framework within which supervision and controls can be worked out. The current banking Bill passing through the House of Commons is a direct result of this.

It is by no means certain that Community legislation is essential but a binding directive from Brussels would force the British Government to remove any obstacles to cross-border operations within 18 months. The major domestic restraint is vested in British law, which only allows societies to lend on freehold and leasehold property, a peculiarly British concept.

Expected

A second and potentially much more important EEC directive is widely expected in the next three to four years. This is likely to concern more specifically housing finance, although there may again be opportunities for the Government to defer action.

Once the legal hurdles are cleared, there remain numerous *practical complications* which building societies will have to face before opening branches on the Continent.

For example, the thorny problems of exchange control and currency fluctuations are two factors which potentially could inhibit the transfer of assets from one country to another. These are the sort of questions currently being discussed by the BSA's two research groups and on which a consensus has yet to emerge.

It is probable, however, that European operations would need to be self-financing, apart from the seed capital required to set them up. This would certainly assuage the fears of some observers that assets on a vast scale would leave the country — an outcome incidentally which the BSA strongly refutes. While societies would probably like to take in separate deposits in each country, the recent moves through the Eropean Monetary System towards greater currency stability throw up the longer term possibility of building societies with a genuinely European asset base.

Meanwhile, the variety of approaches to housing finance in Europe provides another *unknown quantity. While* the imposition of a uniform system and detailed harmonisation of EEC rules is not envisaged, building societies will nevertheless have to cope with a variety of conditions in different areas.

In West Germany, potential borrowers from the Bausparkassen agree a fixed amount towards which they save each month. After 18 months they become eligible for a loan provided they have saved one-third of the contractural sum.

Because most of the money comes from people who are about to obtain loans or those who *have obtained loans in the* past, the system can be divorced from market forces. But because advances generally amount to a smaller percentage of the purchase price of a house than in the UK, the balance must be found either from a savings bank (where rates vary) or a mortgage bank, which issues five- to seven-year fixed loans.

In France loans can be obtained from the banks or through deferred credit societies. The latter are again mutual but in this instance a saver is entitled to borrow half-way *through an agreed savings* period. In Denmark banks and mortgage credit institutions issue bonds which borrowers sell, usually at a discount, in order to acquire funds.

The BSA's researches will continue to study operations in other countries, although the areas thought to have most potential, like Belgium and West Germany, will come under the microscope first. The timetable from now on is impossible to predict but the last 12 months have seen a significant advance in preparation and further confirmation of the building society movement's European intentions.

Tim Dickson

Interest rates dilemma

THE DAY after the Bank of England announced that its *Minimum Lending Rate (MLR)* had been raised by 2½ per cent to 12.5 per cent last November, the building societies announced the largest ever increase in their mortgage rate. At 11.75 per cent the rate is now the second highest in the history of the movement. It stood at a record high of 12.25 per cent between October 1976 and April 1977 but quickly fell back into single figures.

This time round the rate could stick at its current level for considerably longer. The level of interest rates generally will need to decline significantly and the monthly inflow rise sharply before societies will be able to contemplate any reduction in their rates. This will be bad news for the average home owner but for the silent army of investors it means that they are now receiving a real return on their building society shares for the first time since 1970.

News of the latest mortgage rate increase shocked many people but it only goes to underline just how sensitive building society rates now are to movements in money market rates. In November 1976 MLR stood at *15* per cent while the mortgage rate stood at 12.25 per cent. A year later MLR had plummetted to 5 per cent and the mortgage rate had fallen to 9.5 per cent. Today MLR is back up to 12.5 per cent and the mortgage rate is standing at 11.75 per cent.

It is to the building societies' credit that they have been able to smooth out the very volatile swings in money market rates in between. This is evidenced by the fact that between 1974 and 1977 MLR changed 52 times yet building society rates moved only six times. However, during 1978 building society rates began to move more rapidly—changing three times compared with six moves in MLR. This trend seems likely to continue.

Committed

At the start of 1978 the building societies, in common with most other financial institutions, thought that they were moving into a period of more stable interest rates. After all, inflation was on the way down, North Sea oil was bolstering the balance of payments and the authorities seemed committed to a sensible monetary policy. In fact, many of the forecasts have come about. The rate of price inflation has stayed in single figures despite pessimistic forecasts to the contrary and sterling has remained firm for most of the year. However, few people could have anticipated the substantial rise in real interest rates which took place during the year.

In the first quarter of the year the building societies reduced their recommended share rate from 6 per cent to 5.5 per cent, reflecting the downward trend in interest rates. However, this was brought to a halt by the April Budget, with MLR being raised to 7½ per cent as a gesture of the Government's firm intention to control monetary policy. However, it had only a short-term impact on the financial *markets, which were becoming* increasingly nervous, and as interest rates drifted higher the building societies became less and less competitive and their *situation* was exacerbated by the increased competition from National Savings.

By June the monthly inflow, which had been running at well over £500m per month at the end of 1977, had sunk to under £150m. Quickly the societies jacked up their net share rates to 6.7 per cent and everyone sat back and waited for interest rates to fall back in the summer months. The authorities had put on the banking corset and this had previously led to falling interest rates.

But this failed to occur and as U.S. rates started to move higher it *slowly* began to dawn on City observers that UK rates were not heading downhill but were once again about to rise. The *three-month* local authority rate—a good proxy for the correct level for the grossed up share rate—moved up from 9½ per cent at the end of August to 11 per cent by the end of October. By *then, it* was clear that the level of bank and building society rates was badly out of line with market rates, and

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Fears about house prices recede

HOUSE PRICES in 1978 took their biggest leap forward since the chaotic days of 1972. But to the relief of everyone involved — from Ministers and building societies to the public at large—there was no repeat of the alarming increases recorded six years earlier when the average cost of a home rose by nearly a half.

Some observers believed there was never any chance of a repeat of 1972, while others —notably members of the Government—were not prepared to take any chances. They foresaw rapidly escalating house prices as an electoral albatross, decided to ensure they should not occur, and once again opened up the debate on the part building societies play in determining house prices and the advisability of tampering with market forces in a highly complex field.

The debate apart, however, the question of house prices did not in the event blow up in the faces of any of the parties involved. Average rises of something in the region of 25-30 per cent (take your pick from the Nationwide estimate of 26 per cent, the Abbey's 27.5 per cent, or the Anglia Hastings and Thanet's 31.5 per cent) were apparently acceptable after the modest 8 per cent average increase recorded in the previous 12 months.

At what level house price inflation becomes "unacceptable" has never been defined but on the basis that all sides now believe the market is settling down to more normal conditions and that the events of 1978 have passed without too much criticism, then the recent rise of around one-quarter in average prices clearly falls within acceptable limits.

It would indeed be interesting to see whether a continuation of last year's trends—leading to an overall repetition of the 1978 average rises—would also be acceptable because it was spread over a further 12 months rather than compressed into a shorter period.

Few people believe, however, that there is much chance of the 1972 situation being repeated and claim that the position has already changed. Some of the major societies have already made their forecasts for the year, most suggesting average rises of 10-15 per cent, although they make the important proviso that much depends on the growth of incomes in the next few months.

There certainly seems little reason—barring a mortgage famine—why house prices should not rise at a faster rate than some of the sages are predicting if disposable incomes grow more substantially than generally accepted.

There could also be some element of "talking down" in the societies' predictions, a pastime in which both they and the Government were partaking at the start of 1978 before panic arose in some circles. In addition, the societies' best chance of ridding themselves of unwelcome Government participation in determining lending levels is to convince Ministers as well as the public that the problem has gone away.

Explosion

The Government first began to take a closer than usual interest in the societies' planned lending programme and the private housing market at the beginning of 1978. According to the Department of the Environment, average prices for new homes had, since the end of the previous year, been accelerating at a rate three times higher than earlier in 1977. Its view was that if the process was allowed to continue, a house price explosion was unavoidable.

Even while Ministers were attempting to cool down the situation by suggesting that average price rises in 1978 would be contained to no more than 10 per cent or 11 per cent, they were becoming convinced that something more was required — and quickly. In the event they were by March telling the societies that the record £720m a month lending target decided upon in January, and approved by the Government, would have to be cut back in an attempt to take the heat out of the market.

The societies' response was predictable. They claimed that the housing market was experiencing a readjustment as a result of some fundamental changes in the economic climate —something which was as predictable and harmless as people's desire to own their own homes.

Declining living standards had been sharply reversed, encouraging people to improve their living conditions, and the cost of mortgage finance had fallen back to 8.5 per cent from its 1977 peak of 12.25 per cent —a reduction which meant that for a given monthly repayment the borrower could afford a 30 per cent larger loan.

These factors, the societies claimed, combined with the fact that house prices were cheap in relation to earnings and prices, were leading to some necessary and inevitable adjustments. The availability of mortgage finance was nothing more than a factor to be considered in any assessment of the situation.

The Government's attitude was equally predictable. Whether or not it agreed with the assessment it could not be sure of the end-result and once the additional element of "panic buying" had been thrown in, it decided to take action in the only area it could. The societies may only have been one factor in the equation but a curb on mortgage finance was seen as a way, however unfair, of dampening down the situation.

In calling for a 10 per cent cut in loans, Ministers were gambling on the fact that escalating prices were electorally more damaging than a shortage of home loans. They may well prove to have ended up somewhere in the middle, with substantial price rises being accompanied by lengthy waiting lists for mortgages. Those waiting lists may well in any case have existed because of the societies' difficulties in attracting funds, but it could well be that the Government will be held responsible for the long mortgage delays.

Uneasy

The societies' uneasy compliance — based largely on haunting fears that prices just could rise wildly and that they would be held responsible— continued, although lending ceilings for the early part of 1979 have now been raised. They will, however, as was the case for much of last year, find it hard to lend up to figures which were originally supposed to be a harness rather than a target.

The Government's reaction to how the private housing sector actually turned out last year remains something of a closely guarded secret—perhaps on the basis that the subject is best not discussed unless absolutely necessary. While Ministers cannot be too pleased with price rises of 25 per cent (some of 50 per cent) they are clearly relieved that 1978 did not present them with a major crisis on the housing front. The fact that an early election did not materialise may also have dulled their sensitivity on the issue.

Whether it was right to intervene, and what would have happened if the Government had not, will never be known, though the question remains very alive and may yet again be put to the test.

Michael Cassell

Dilemma

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few people could understand why the Bank of England persisted in keeping MLR stuck at 10 per cent.

On November 2 Barclays Bank took the plunge and raised its base rate from 10 per cent to 11½ per cent. The other banks quickly followed and less than a week later the Government had hoisted MLR to 12½ per cent.

Finally the building societies moved. Although their new rates were not regarded as completely competitive with the new interest rate structure it was generally considered that interest rates would soon begin to fall and the competitive position of the societies would improve. As the weeks went by the prospect of an early fall in interest rates receded and the building societies now have to face up to the fact that their current interest rate structure might not be adequate to meet the demand for mortgage funds in the current year.

There are still some analysts in the City who believe that the next move in UK interest rates will be downwards—after all, MLR has fallen in the last six years every January. For the moment at least, bank lending seems to be growing undramatically and the Government's funding programme for 1978/9 has nearly been completed. All these factors should augur for easier money in the next few months but there are a number of imponderables which make any forecasts difficult.

The first is the trend in U.S. interest rates. Even though sterling is no longer so vulnerable because the UK is no longer running a massive trade deficit, UK interest rates are still sensitive to movements across the Atlantic. If U.S. rates go still higher, then the likelihood is that sooner or later MLR will follow suit. Another imponderable concerns the level of public spending next year and the size of the deficit that will have to be financed.

Equally important is the demand for bank credit. At the moment the combination of high interest rates and the supplementary special deposit scheme (the corset) is curbing bank lending, and the bullish scenario is that as the economy slows down later this year bank lending will tail off in sympathy which will enable the authorities to let interest rates move downwards.

However, the key unknown at the moment is the outturn in the growth of average earnings resulting from the current industrial unrest. If these work out at around 15 per cent per annum the private sector will have to dip into its pocket to pay the wage bills. This will increase the demand for bank credit and force up interest rates.

This is the background against which the building societies enter the current year. Because of their size in the financial system they cannot afford to ignore the general level of interest rates. However, at the individual building society level there are increasing signs that pressures are building up for increased flexibility in the system of industry-wide recommended rates. Last year there was a period when some of the large building societies departed from the recommended rates for investment accounts because they felt they were making excessive profits.

To an outsider the system of standard rates smacks of a "cartel" and the clearing banks can legitimately argue that they would never be allowed to operate such a system. They did operate one during the 1960s and the only way they could compete was through expanding their branch networks. This is something they have come to regret and all the clearing banks are now pruning their branches.

At the moment the building societies seem to be suffering a similar fate as the recommended rate structure forces societies to compete by opening new branches all over the place. There are already signs that the societies are becoming less efficient as a result. For the most part this is being disguised by the heavy growth in the volume of business being transacted but if this ever tailed off for a prolonged period some societies could run into problems.

There are numerous ways that a more flexible rate structure could benefit both the societies and their customers. As bank charges go on increasing more and more people are using their building society branches as a substitute and the volume of transactions is increasing rapidly. One way the societies could curb the uneconomic use of building society accounts would be to charge higher rates if the account were left untouched for, say, one year. Societies already raise money via term shares, etc., but these vehicles could be considerably expanded.

In addition, there could be a case for allowing societies to tap the wholesale money market to tide them over a lean period for receipts. Rates offered there would differ substantially from the rates offered to the small depositor.

William Hall

Liaison with local authorities

FEW PEOPLE could have predicted just how well building societies and local authorities would manage to co-operate in furthering the cause of home ownership since they were unceremoniously thrown together as reluctant partners back in 1975. In that year the general cut-back in public expenditure led to severe restrictions on local authority mortgage lending and the societies found themselves, without prior consultation and in something of a hurry, being asked to fill the gap.

Resentment on the part of the societies at being pushed into helping out and their uncertainty about operating in a largely unfamiliar area of the housing market, combined with the authorities' suspicion and relative ignorance of the building society movement, meant the proposal was bound to get off to a slow start.

In 1975 a total of £100m was agreed for so-called replacement lending and originally the 10 largest societies agreed to participate in proportion to their assets. Since then the support lending scheme has grown from strength to strength, seems likely to remain a feature of building society business for some time to come and has helped to trigger off a period of much improved co-operation between the two sides on a wide range of matters affecting the housing sector.

A year ago the societies promised to make £300m available to support scheme applicants (£267m of which was for England). At the time it seemed unlikely that demand justified such a large amount, bearing in mind that only two thirds of the total 1977-78 allocation of £176m was eventually taken up.

But lending has increased significantly since then and the entire £300m allocation is expected to be taken up. The scheme is to be repeated in 1979-80, and with mortgage finance tight in relation to demand, interest in it can be expected to increase further. According to some societies there are some unsatisfactory aspects of this particular trend, with staff objecting to being in a position where they are turning down their own members, who have served faithfully with them, but are granting mortgages under the scheme to people nominated by the local authorities.

Under the scheme building societies will consider granting home loans to applicants referred of them from a local authority which has itself been unable to help. The societies have never been anxious to become to deeply immersed in "down market" lending (though it should be emphasised that nearly one quarter of all loans now go on pre-1919 properties) and their attitude has been perfectly understandable so long as they could easily lend all their funds on sound property in safe areas to "safe" people.

In taking part in the scheme the societies continue to apply and preserve the same criteria—with regard to people and property—as they do to their traditional customers, but there is no doubt that in many cases their opinion of what constitutes a reasonable proposition has altered significantly in the last four years.

Revised

As for the local authorities, a few longstanding opinions have also had to be revised. They have made mortgage finance available in accordance with quite different policies to guide them—subject to none of the costraints which bind building societies and with social housing need rather than sound security often the major priority. Though their approach may not have been in any sense irresponsible or inadvisable, it represented in many respects a fundamental difference in philosophy and attitude.

The major problem in the early days was simply a matter of two parties — not used to regular contact with each other — communicating, understanding and wanting to co-operate. Today the machinery of the support scheme is well understood generally and many efficient local arrangements are operating efficiently.

As Mr. Norman Griggs, secretary general of the Building Societies Association, said towards the end of 1978: "The support scheme has proved to be the catalyst for increasing co-operation between societies and local authorities, at national and local level, across the whole of the housing market.

"At national level, local authorities are now more aware of the constraints under which societies work and building societies are aware of the onerous responsibilities of local authorities. At local level, the authorities are increasingly informing societies about their plans for the future of particular areas so that this can be allowed for in lending policies."

But Mr. Griggs also emphasised that societies could still point toexamples where local authority policy was effectively inhibiting building society lending. His point touches on perhaps one of the most controversial areas involving building society operations—lending in inner urban areas.

Despite their protestations, it is quite clear that many societies have refrained from lending in certain run-down inner city areas. But the infamous "red lining" approach by which whole areas are unofficially designated ineligible would appear to need little explanation or justification.

As mutual institutions, societies have responsibility to their borrowers to ensure they are helped to buy property which will prove to be a good investment of their funds as well as of the society's mortgage funds. Societies rightly remain cautious about lending in areas where the future of existing housing is uncertain, not so much because they are afraid of incurring losses for themselves—most could absorb them—but because they are concerned that the loss for an individual could be devastating.

The societies' understandable inertia, however, did little to improve the chances of revitalisation or modernisation in badly run down areas and local authorities did little to remove many of their anxieties by indicating a clear commitment that an area of housing had a viable life ahead of it and by themselves beginning on improvement work.

Strategies

Closer co-operation and understanding of development strategies involving general improvement areas and housing action areas should create a situation in which private housing finance becomes more readily available in areas which societies could not sensibly have touched when there was a threat of clearance or demolition, or even of no action at all.

When the support scheme was first introduced, the societies were anxious to make available whatever sums were necessary by way of direct loans to the local authorities, charged on the rates and allocated specifically for the purpose of mortgage lending. It would have been secure business for the societies and would have allowed the local authorities to lend according to their own concepts, but the Government's reluctance to increase further the public borrowing requirement overrode such preferences.

The Government's insistence may in the event prove to have been a good thing, helping to promote a joint effort at solving some of the country's most urgent housing programmes which may otherwise have not come about.

M.C.

Satisfying the urge for home ownership

THE DEMAND for home ownership in the UK must represent one of the most significant social trends of recent years. This is perhaps not altogether surprising in a country where a man's home has apparently always been his castle. Ownership of the land on which he resides, or at least of the bricks and mortar which form his home, extends to the occupier an independence and sense of well-being which cannot be quantified in the same way as a property's rising capital value.

To be an owner-occupier is the ambition and, more significantly, the real intention of an overwhelming and still growing proportion of the population. Though most potential owners are too well aware of the longer term financial advantages of ownership (which on a daily basis usually represents a vastly more expensive alternative to renting) there is also some indefinable benefit which adds to their resolve to purchase their own home.

Bend

Endless surveys have shown as much, and political thinking not necessarily in total sympathy with such a trend has itself had to bend in the face of conclusive evidence.

One thing is certain. Despite the tremendous efforts of the building societies to help millions achieve their objective (over 95 per cent of all home loans currently come from them) there is plenty of scope for further progress.

With around 54 per cent of the housing stock now owner occupied, Britain's performance in this respect is little more than average. In countries like Australia, New Zealand, Canada and the U.S., the percentage has for years been 60 and over, while in some eastern European nations the figure is above 70 per cent. Britain actually compares with nations like Belgium, Italy and Norway.

In some ways it is surprising that the penetration of home ownership has not progressed at a faster rate. In 1970 50 per cent of the country's housing stock was in owner occupied hands and, despite the granting of around 6m loans in the interim period, that proportion now stands only 4 per cent higher.

Not all loans, of course, go to people entering the private housing sector for the first time, and recently societies have been making a little under half of all their loans to new purchasers. Last year, for example, around 47 per cent of the 800,000 loans made went to first-time buyers—a little below the record levels achieved in 1971 and 1972.

The societies, which point out that they have helped 3m families purchase their first homes in the past 10 years, say that the number of first time buyers can be expected to fall in this way, given the continuing growth of owner occupation and the resulting decline in the numbers of new arrivals in the private sector. The argument is a sound one, but whether this can yet be the case would appear to be a point for further investigation.

The achievement of raising the owner occupied sector by 3 to 4 per cent of the housing stock should not be underestimated but it is surely worth noting that the percentage rose by about 7 per cent in the decade 1960-70 and by over 14 per cent in the previous ten years.

There would appear to be a case then for suggesting that first-time buyers do still require some form of special encouragement to join the ranks of home.

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BUILDING SOCIETIES V

Computers open up new horizons

PLASTIC CARDS will allow building society investors of the future to get cash at any time from dispensing machines outside society branches. Using computer terminals available to them inside, borrowers will be able to check their mortgage balances and calculate their interest bills.

The terminals will allow savers to use their building society as a bank and they will be able, for instance, to transfer money instantaneously out of their accounts to meet electricity, gas, rates and other routine bills. The computer technology is already available and could be in general use before the end of the 1980s.

Building societies caught on early to the cost-cutting advantages of computerisation — Abbey National, for example, installed its first computer as long ago as 1961 and began a scheme to put terminals in every branch. But it is only in the past few years that leaders of the movement have begun to appreciate that computers could have profound implications for the role of societies in the economy.

The next generation of computers is likely to blur even further the already disputed dividing line between banks and building societies. With the development of the cashless society and widespread use of electronic funds transfer, people could find in the 1980s they can manage their financial affairs almost as effectively by having their salary paid into a building society account as a bank account.

Willy-nilly, the movement is bound to be drawn nearer the centre of the financial system—and that will mean among other things more intervention from the Bank of England and the Treasury. It may also bring a reappraisal of the rules requiring societies to confine their lending to house mortgages.

For the moment, the movement's computers are unobtrusive. Many branches now have a terminal, but it is usually in the back office. It is used to keep the society's records of savers' accounts up-to-date. Occasionally, when the saver wants to make a large withdrawal, the terminal will be called into action immediately to check his balance—but the checking is done discreetly while he waits and he is likely to be unaware of what is happening.

Among the Big Five societies, the Woolwich is probably the furthest ahead with the more futuristic computer applications. Over the next two years it is phasing in a system which will link counter assistants in almost all its 260 branches with a central computer file containing the accounts of 1.25m Woolwich savers.

The £4m system, which is already working at the Woolwich's Bexleyheath branch, promises to make a dramatic cut in the time it takes to deal with investors at the counter. When an investor wants to withdraw money, for instance, the assistant has simply to key in his pass book number and the amount. The computer file is up-dated immediately and a printer in the terminal records the transaction in the passbook.

Peter Beeke, Woolwich's assistant general manager in charge of developing the new system, reckons that it cuts the average turn-round time for a customer doing a routine transaction from 90 seconds to 60.

Assuming that counter business does not increase as a result of the greater convenience to customers, that should mean the virtual elimination of queues even at busy times.

Applications

A similar system is already in use in many of the Britannia's branches. And Bristol and West's system incorporates the extra sophistication of a magnetised strip on each passbook. This contains a code which is read by the terminal and so saves the assistant having to key in the investor's account number.

The Woolwich has considered incorporating magnetised strips in its system—but believes that at an extra cost of about £400,000 they would not be cost-effective.

Among the computer applications that the Woolwich reckons may come in in the mid-1980s are in-branch terminals into which investors could key instructions to pay routine bills from their accounts. The system would work on similar lines to the National Girobank, with all the main utilities having accounts with building societies specifically to receve such transfers.

The Halifax has stolen a march on the rest of the movement by being first with automatic cash dispensers operated by plastic cards. A pilot system went into action at the society's head office this month but it is confined to Halifax staff.

The Halifax could, however, soon extend the system to its branches if it proves a success. Initially the system terminals would be installed inside branches—the Halifax's primary interest is in cutting the workload for counter staff and reducing the need for investors to queue at busy times. But eventually the terminals may be installed outside branches to provide Halifax investors with a 24-hour cash service.

The long-term planners are already studying how Cardcash, as they are calling the plastic card system, could be reconciled with the Halifax's traditional business. The feeling is that cards should be issued only to selected investors who would open special new accounts which would not involve passbooks. Passbooks are apparently too cumbersome to run in conjunction with a plastic card system.

For the immediate future the Halifax has the computer world agog over what system of counter terminal equipment it will introduce. Some of the Halifax's existing back office equipment is already seven or eight years old and will need to be replaced in 1980 or 1981—and a switch to counter operated visual display units looks likely.

Already the Halifax is shopping around—it has to make a decision by the end of this year. Among companies whose equipment it is studying are IBM, Burroughs, Datasaab, Philips and Nixdorf.

Eamonn Fingleton

Ownership

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owners, despite building society assurances that they are in no way being left behind.

Only a few days ago, Mr. Leonard Williams, chief general manager of the Nationwide Building Society, went to great pains to explain why recent events had not served to push home ownership further from the grasp of potential purchasers. He pointed out that despite the recent sharp rise in prices the average first-time buyer was now committing about the same proportion of average earnings to mortgage payments (19 per cent) as two years ago and much less than the 22 per cent average in 1973-1974.

He said that in the case of his own society the average income of the main borrower (usually male) was almost exactly the same as the national average earnings of male workers, while nearly half of his society's first-time buyers could call on a second income to support mortgage repayments.

Mr. Williams added that he was now making larger loans to first-time purchasers in relation to the price of the house purchased more than five years ago, and that as a result the typical deposit provided by first-time buyers was little more than that of five years ago. Over the same period, he emphasised, average earnings had more than doubled and consequently first-timers needed to save up a much smaller proportion of their earnings for an initial deposit.

A similar trend, incidentally, has also been recorded by the building societies among all house buyers. The figures show that, for example, during the first quarter of 1978 the societies committed on average 68 per cent of the average house prices but this fell to an unprecedented 62 per cent as prices began to accelerate.

While average house prices, according to the societies, rose by just under 22 per cent in the 12-month period ending in August 1978, the average commitment increased by less than 16 per cent, illustrating clearly that people have been financing the higher prices not by building society loans but rather by obtaining funds from other sources.

But despite the comparisons and percentages, there is no doubt that the first step on to the home ownership ladder remains a giant one for many people—accumulation of a suitable deposit remaining the major obstacle, despite Mr. Williams' assurances that times are easier.

It was perhaps more with this thought in mind than any other that the Government last year decided some action was necessary to assist more potential first-time buyers. It came up, towards the end of 1978, with its long promised proposals, extending financial help in the form of an interest-free loan and a tax-free bonus but incurring some fairly widespread criticism from the societies themselves.

Maximum benefits will be just over £700 and a minimum two-year savings period is involved. The societies and other critics say the amount is insignificant and that the plan may simply serve to push up average house prices in the range of first-time buyers by an amount equal to the benefits. They also complain that the plan is needlessly complicated and that many people may imagine participation in the scheme guarantees a mortgage, which is not the case.

The Government admits that the benefits of the scheme, tied to regional house price limits, will be diminished if house prices go out of control, although it emphasises that the loan and bonus together are worth about 5 per cent of the average price being paid for a home by first time purchasers. If that extra 5 per cent can make the difference between becoming a home owner or not, then the scheme should at least be given a chance.

M.C.

LOMBARD

The French seem immune for now

BY ROBERT MAUTHNER

THE LORRY drivers' strike and the resulting economic chaos in Britain has led to some disarming soul-searching in France. Many French commentators are professing surprise that their country has been spared the massive industrial disruption suffered by their neighbours on the other side of the channel, and the question is being increasingly asked whether France can really expect to remain immune from the British disease for very much longer.

The basic economic and industrial problems facing the two countries are, after all, very similar. Both have been obliged to restructure their traditional industries, such as textiles, shipbuilding and steel. France, no less than Britain, has to make an all-out effort to step up its exports in order to balance its payments. The advantage it once had over Britain thanks to its self-sufficiency in agriculture has been offset by its almost complete reliance on imported energy, while the U.K. will soon meet almost its entire needs from its own resources. Both France and Britain have been forced to wage a constant war on inflation to remain competitive on world markets, requiring a painful clamp-down on wages and salaries.

No signs

With unemployment in France now at the post-war record figure of 1.3m and still rising, with tens of thousands of steel and shipbuilding workers being laid off and with no indications that wage controls will be lifted in the near future, it would seem at first sight that French workers have almost as much to complain about as their British counterparts.

It can hardly be said that the French have ever proved reluctant to take to the streets, go on strike or occupy their factories when they considered that conditions had become too tough for them. They did so in no uncertain manner only 11 years ago, when the students' and workers' uprising paralysed the country for many weeks and brought the economy to its knees. Yet today, there are no signs of a national movement of anything like the same proportions. Demonstrations and strikes have tended to be limited to the regions which have been particularly hard hit, such as Lorraine, and in spite of much verbal posturing, there seems to be an uncanny and un-Gallic acceptance on the part of the unions that nothing much can be done about the situation.

The authorities, as is their wont, have a pat explanation for this comparatively happy state of affairs. The famous Barre austerity plan, named after the Prime Minister, has been conceived so cleverly that most people are cushioned against its worst effects, they argue. Thus, while purchasing power has remained theoretically frozen since the early autumn of 1976, wages and salaries remain inflation-indexed and there has been no sharp fall in living standards as there was in the UK. Indeed, workers at the bottom of the wages scale have been allowed small real rises and, overall, disposable incomes have continued to increase by a little more than 2 per cent annually. These measures, coupled with extremely generous unemployment benefits for workers who have lost their jobs as the result of the slack economic situation and the traditional panoply of job-creating and retraining schemes, have stopped the social pot from boiling over.

New ball game

That, however, is clearly only part of the story, equally important, without any doubt, has been the exceptional room for manoeuvre given to the Government by its unexpectedly large victory in the general election last March. Demoralised by the defeat of the left-wing parties whom they supported, the main trade unions are still licking their wounds. Their search for an effective joint strategy has been further hampered by the fact that less than 25 per cent of the French labour force is unionised, making it difficult to impose the discipline required for massive industrial action, particularly when jobs are scarce.

But time will not always be on M. Barre's side, if, by the Prime Minister's self-imposed deadline of the summer of this year, inflation has not been brought under control and unemployment is still rising, the Government is likely to come under increasing political and union pressure, and by early 1980, the campaign for the next presidential election in the spring of the following year will get under way, creating an entirely new ball-game. Relatively calm though France may appear today, it would be surprising if it were spared its share of unrest in the 18 months ahead.

Sowing: tactics and strategy

GARDENS TODAY

BY ROBIN LANE FOX

THE NEXT 10 days or so are an important time in the gardening year. They decide how things are going to look in the summer, what colours will turn up where, and how far I am going to desert old favourites.

In short, I shall be choosing next year's seeds. A balance has to be struck. If you receive them and sow them promptly in February, most of the less hardy plants will be too far forward by the time the frosts disappear anywhere north of Italy. It would be nice to be pushing on with the job, if possible, for the further the plants advance, the sooner they will flower and bush out prettily in the garden. The June and early July bedding gap sounds a curious thing for a gardener to bother about, but every year it is something which annoys me. Out come the tulips in June, in go the home-grown tobacco plants. But not for three or four weeks do the new entrants make a show. There are ways round it, but they are not as easy as you might think.

One, you might imagine, would be to start your flower-seeds off very promptly. Almost every beginner falls for this one. He notes the basic distinction of which I shall remind you. Some annual flowers are hardy, so their seeds can be sown directly out of doors in a well-raked seed-bed from late March onwards. Others are treated as half-hardy annuals: petunias, snapdragons, tobacco plants and generally all the best things except love-in-a-mist. These must be raised in a warm place, then planted out when the frosts stop in early June.

Noting this distinction, you and I should want our summer flowers as quickly as possible. We should probably sow at once, in February. The seed-packet would not dictate us. It talks, with the latitude of the self-respecting consultant, as if any time "between" February and May will yield a satisfactory sowing. So off we go, putting seed-boxes of petunias in the airing-cupboard in mid-February.

Seed-raising is quite straightforward. I would urge any new garden-owner or aspiring gardener or window-box owner to learn how to do it. Of course, you can buy your own bedding-plants from a nursery in May or June. But there are two snags. I consider them too expensive. They tend to be at their furthest point by late May, and unless you buy the first batch and plant at once, risking a frost, you will be paying for plants which have been checked. This is the core of the problem. Half-hardy annuals like to race ahead smoothly. They grow fast and should never be stopped in their tracks. You can pinch out their main shoot, an important method of persuading them to branch out. You can also take off their first flowers for the same purpose. But you must never stop them from growing in any direction at all.

You now see the difficulty. You want to arrive in early June with plants of flowering size, but you cannot leave them to make their way in the same boxes from mid-March until they are planted out. There are two answers. You can sow the seed later, a sound plan which I usually adopt. Late March is quite early enough. Your tobacco plants then purr along until early June. They move smoothly into flower in mid-July and never look back. But meanwhile, you have the gap after the tulips. The best way round it is to follow a practice which I learnt in a big bedding-garden: move 50 or so bedding plants from boxes in April into individual 4-inch pots. They will then grow on very densely, especially if you pinch out their longest shoots. You can use them directly in early June to give body to a new bedding-scheme. The others, sown later, will move on smoothly for the continuity until August when you take a summer holiday and miss them.

That, I think, is the best grand strategy. A few well-branched snapdragons and petunias will go a surprisingly long way. What, though, of the tactics, the sowing, pricking-out and so forth? Old hands know it all already. This week I am after the fresh green fingers, readers who are not quite sure how to begin.

Sowing is simple. Only two tips I think. Try not to sow too thickly. If the seed is very fine and enclosed in an inner plastic bag, contain your disappointment that there is far less than the robbers persuaded you by their big coloured packet outside. Reach, instead, for some sand. Mix the sand up with the seeds in the inner packet, shake it well, then sow evenly from the palm of your hand. The greater volume gives you a greater spread.

Second tip: never let the seeds dry out. Water a light compost (any seedling brand will do) the night before you sow. Let it dry to the point where it is damp, but does not ooze water if you squeeze it. Sow and cover all but the big pea-shaped seeds very thinly. Then, buy a thin rose for a little watering can. When watering, give two or three preliminary shakes to the can so that the water flows smoothly before you go near the box. I have seen careful sowings washed away because their owners held the can over them before the water was running like rain.

Within three weeks in a warm place—kitchen, bathroom, airing cupboard or whatever—the seeds will be up. Let them show their first open pair of leaves. As soon as possible thereafter, make up a deeper box of slightly less light compost or plain old garden soil, if you live on a light loam. If you are buying all the compost anyway because you live in a town, use the same John Innes seedling compost as for sowing or any of the peat-based composts which garden centres will press on you.

The seedlings must be transferred from one box to the other, in which they should be spaced about 1½ ins apart in straight rows. You need two tools. A wooden label with a sharp end allows you to [illegible] the seedlings in their box and balance them on its flat surface without the use of your fingers. Every time you handle them, [illegible]. Having pressed the bigger box's compost firmly, you need a rounded dibber, or circular piece of wood, about ½ in in diameter. Any old bit will do off any thin stake. Use it to round a hole deep enough to take the seedling's root. [illegible] the seedling just below the pair of leaves and whisk it into the new hole without handling.

After that, just keep watering till late May. Then plant out as usual. Your first boxes of pricked-out plants may look uneven, as if a beetle has [illegible] the soil. Level them off round the seedlings and firm the surface so that everything does not keel over when you water it. If it does [illegible], it will usually straighten up.

There, then, are the tactics. For 30p you can raise 100 lobelias, though they are not the easiest seedlings to handle. The better you are, the sooner you prick out your crop. Next week, I shall survey some good seeds [illegible] advice that generally you should not rush into sowing too soon.

Court says Imperial cigarette promotion scheme was lottery

BY PAUL TAYLOR

IMPERIAL GROUP and its Imperial Tobacco subsidiary yesterday lost the first round in a court battle over the "Spot Cash" cigarette promotion scheme when a High Court judge ruled that the scheme was a lottery and therefore unlawful. The companies are to appeal against the ruling.

Mr. Justice Donaldson, sitting in the Commercial Court in London, rejected a request from the two companies to declare that the "extremely successful" scheme did not contravene the Lotteries and Amusements Act 1976.

The companies had sought the declaration pending a criminal case brought by the Director of Public Prosecutions against Imperial Tobacco and four company directors and employees which is due to be heard in Nottingham.

The scheme, used to promote John Player brands, involved the distribution of 260m packets of cigarettes containing cards resembling fruit machine windows. It offered prizes totalling £800,000 and resulted in a 30 per cent increase in sales.

Mr. Justice Donaldson heard arguments presented by Mr. Stanley Brodie, counsel for the applicants, that the scheme was neither a competition nor a lottery and was therefore within the law.

The judge said that the company had devised a scheme which had the appearance of being a free lottery. But he ruled that because the scheme accounted for about 0.3p of the price of a packet of cigarettes, purchasers were in reality buying the cigarettes and the card. That made the promotion a lottery, and therefore unlawful.

What mattered was whether customers were making any contribution to the scheme. While Mr. Brodie had argued that the cost of the cigarettes and the profit margin were unaffected by the scheme, Mr. Justice Donaldson said this was an unrealistic way of looking at the matter.

He said: "The scheme produced a 30 per cent increase in sales. Why? The answer is clear: purchasers switched brands because they got more for their money. Previously they got cigarettes, now they got cigarettes and a ticket which might be valuable."

He ordered that the costs of the case should be paid by the companies but gave them leave to appeal.

No racing

The cards at Folkestone and Market Rasen have been abandoned and there is no racing in Britain today.

TV/Radio

† Indicates programme in black and white

BBC 1

9.38 am For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Fingerbobs. 2.01 For Schools, Colleges. 3.00 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Take Hart. 5.00 John Craven's Newsround. 5.10 The Strange Affair of Adelaide Harris.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.45 Noel Edmonds' Lucky Numbers.
7.35 Morecambe and Wise at the BBC.
8.05 The Aphrodite Inheritance.
9.00 Party Political Broadcast by the Labour Party.
9.10 News.
9.35 The Fall and Rise of Reginald Perrin.
10.05 Sportsnight.
11.15 Tonight.
11.55 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—2.18-2.38 pm I Ysgolion. 5.10 Miliodwcar. 5.35-5.40 Crystal Tipps and Alistair. 5.55-6.20 Wales Today. 6.45 Heddiw. 7.05-7.35 Ar Y Brig. 11.55 News and Weather for Wales.

Scotland—11.00-11.20 am and 2.18-2.38 pm For Schools. 5.55-6.20 Reporting Scotland. 9.00-9.10 Party Political Broadcast by the Labour Party. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.20 am Gharbar.
10.45 Parosi.
11.00 Play School.
5.35 pm News on 2 Headlines.
†5.40 Charlie Chaplin in "A Woman."
6.05 The Fishing Race.
6.30 Tammy Wynette.
6.55 Top Table.
7.45 Mid-evening News.
7.50 The Story of English Furniture.
8.15 The Money Programme (report from Iran).
9.00 Party Political Broadcast.
9.10 M*A*S*H.
9.35 Rebecca.
10.30 The Innes Book of Records.
10.55 My Kind of Movie: Clare Francis on "Queen Christina."
11.00 Late News.
11.15 Closedown (Reading).
BBC-2 Scotland only—9.00-9.10 pm Party Political Broadcast by the Labour Party in Scotland.

LONDON

9.30 am Schools Programmes. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 3.20 Kitchen Garden. 3.50 Tell Me Another. 4.20 How. 4.45 The Book Tower. 5.15 Pauline's People.

5.45 News.
6.00 Thames At 6.
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Leave It To Charlie.
8.30 Take My Wife.
9.00 Party Political Broadcast on behalf of the Labour Party.
9.10 Best Sellers.
10.00 News.
10.30 Best Sellers (continued).
11.25 What the Papers Say Awards for 1978.
11.55 England, Their England.
12.25 am Close: Oliver Maguire reads from the Bible with a painting by Michelangelo.

All IBA Regions as London except at the following times:—

ANGLIA
1.25 pm Anglia News. 2.00 House-party. 2.25 The Little House on the Prairie. 5.15 Mr. and Mrs. 6.00 About Anglia. 11.25 Westside Medical. 12.25 am The Big Question.

ATV
1.20 pm ATV Newsdesk. 5.15 The Rolf Harris Show. 6.00 ATV Today. 11.25 Table Tennis: England v China.

BORDER
†1.20 pm Border News. 2.00 House-party. 2.25 The Family. 5.15 Money Quest. 6.00 Lookaround Wednesday. 11.25 The Practice. 11.55 Border News Summary.

CHANNEL
1.18 pm Channel Lunchtime News and What's on Where. 2.25 Family. 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 Funky Phantom. 9.00 Review. 10.28 Channel Late News. 11.35 S.W.A.T. 12.20 am Epilogue followed by news and weather in French.

GRAMPIAN
9.25 am First Thing. 1.20 pm Grampian News Headlines. 5.15 Emmerdale Farm. 6.00 Grampian Today. 11.25 Reflections. 11.30 Westside Medical. 12.25 am Grampian Late Night Headlines.

GRANADA
1.20 pm This is Your Right. 2.00 Live from 2. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 8.30 Oh No It's Selwyn Froggitt. 11.55 The Practice.

HTV
1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 8.10 Night of the Generals (part 1) starring Peter O'Toole, Omar Sharif and Donald Pleasance. 10.40 "Night of the Generals" (continued).

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20-4.45 'Rydw i am Fod. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH
1.25 pm News and road and weather. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 8.10 Twist in the Tale. 10.40 Late Call. †10.45 Feature Film: "A Study in Terror" starring John Neville.

SOUTHERN
1.20 pm Southern News. 2.00 House-party. 2.25 Young Ramsay. 3.50 Stars on Ice. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day by Day. 6.45 Dick Barton—Special Agent. 8.10 "The Shuttered Room" starring Oliver Reed. 10.40 "The Shuttered Room" (part 2). 11.25 Southern News Extra. 12.00 The Electric Theatre Show.

TYNE TEES
9.20 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround and Where the Jobs Are. 5.15 Laverne and Shirley. 6.00 Northern Life. 11.30 Celebrity Concert.

ULSTER
1.20 pm Lunchtime. 2.25 The Electric Theatre Show. 2.55 Untamed World. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 11.25 Bedtime.

WESTWARD
12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 Family. 5.15 Emmerdale Farm. 6.00 Westward Diary. 10.28 Westward Late News. 11.25 S.W.A.T. 12.20 am Faith for Life. 12.25 West Country weather, shipping forecast.

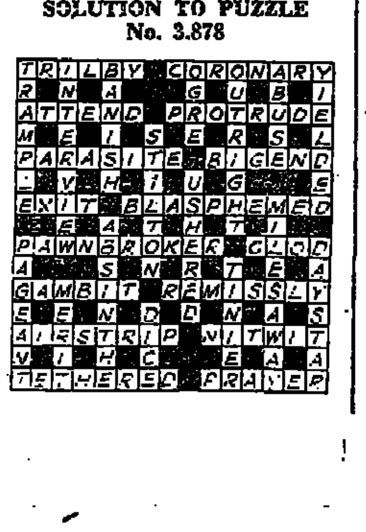
YORKSHIRE
1.20 pm Calendar News. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.25 Electric Theatre Show.

F.T. CROSSWORD PUZZLE No. 3,879

ACROSS
1 Incorporate eastern cover put back when boss is around (8)
5 Destroy fairy? Hush! (6)
9 Water-carrier stocking two hogsheads (8)
10 A soft fruit or so it would seem (6)
12 Great in vernacular German (5)
13 Member of society could be a strange chap (9)
14 Three times as much voice (6)
16 Appetite that is right for more stout (7)
19 Turner, whichever way one looks at it (7)
21 Take away some French pipe (6)
23 Compulsory for minister initially and a Conservative (9)
25 Fish round the north using reel? (5)
26 I left after the fast and got a bean (6)
27 Inclination to accept direction for scholarship (8)
28 Airing some of laundry in garden (6)
29 Signal indicating it's safe to make everything obvious (3, 5)

DOWN
1 He turns up in daring. Look! (6)
2 Soldier with service in North Africa has to leave gunners training initially (6, 3)
3 Left part of church to pass into disuse (5)
4 Imagine drink on stand (7)
6 Squeezed out it could be revealed (9)
7 Thought learner perfect (5)
8 Computer equipment made of baser metals? (8)
11 I'd naught left for object of worship (4)
15 Body of soldiers making bachelor race a cat (9)
17 In foreign currency I've followed for encouragement (9)
18 Caught behind, then led, but collapsed (8)
20 Moroccan getting up to make space (4)
21 Battery to air prisoners' quarters (3-4)
22 Sexton putting grass edging right (6)
24 Nurse Billy's partner (5)
25 Cord I unravelled belonging to Doris (5)

SOLUTION TO PUZZLE No. 3,878



Radio Wavelengths

1 1053kHz/285m 1089kHz/275m	3 1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2 693kHz/433m 909kHz/330m & 88-91vhf stereo	4 200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
		London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.00 Andy Peebles. 5.30 Newsbeat. 5.45 Kid Jensen. 6.31 Radio 1 Mailbag. 7.30 As Radio 2. 10.02 John Peel (S). 12.0-2.02 As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 David Allan (S). 6.15 Pause for Thought. 7.32 Terry Wogan (S). 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 Ray Moore (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S). 6.45 Sports Desk. 7.02 Robin Richmond (S). 7.30 Listen to the Band (S). 8.15 The Magic of the Musicals (S). 9.02 The Impresarios. 9.55 Sports Desk. 10.02 My Sainted Aunt (S). 10.30 Frank Bough says Be My Guest. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composers: The Court of Frederick the Great (S). 9.50 Music for Organ (S). 10.30 Horn and Piano Recital, part 1 (S). 11.00 Interval Reading. 11.05 Recital, part 2. 11.40 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Symphonies from the New World (S). 3.00 The Shostakovich Quartets (S). 4.00 Jan Dismas Zelenka (S). 4.50 Flute and Percussion recital (S). 5.30 Young Music-Makers (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 At Home (S). 7.30 Anthony Roden song recital (S). 8.00 BBC Symphony Orchestra, part 1: Mozart (S). 8.35 The Arts Worldwide. 8.55 BBC SO, part 2: Bruckner (S). 10.00 Scientifically Speaking. 10.45 Building a Library of records (S). 11.55 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today. Magazine, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 The News. 9.05 The Living World. 9.35 On Location. 10.00 News. 10.05 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 You, the Jury. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Lord Peter Wimsey. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre. 3.50 Choral Evensong (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Goodnight, Children . . . Everywhere (the story of "Children's Hour"). 8.45 Analysis. 9.30 Kaleidoscope: Prince of Musicals. 10.00 The World Tonight. 10.30 The Cool Web (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 Question Time. 1.05—Close: As Radio 2.

London Broadcasting

5.00 am Morning Music. 6.00 A.M.: news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Ian Davidson's Night Flight (S).

THE ARTS

Elizabeth Hall

BBC Singers

Forsaking their usual Smith Square platform, the BBC Singers under John Poole gave on Monday a South Bank recital of 20th century choral music that was outstanding alike for the liveliness of the programme and for the degree of polish, exactitude, and consistency of style in all the performances. Janacek framed the concert. The fragment of a Mass in E flat for choir and organ (1907-1908), completed by a pupil, Petrzelka, began the evening, and the motet (1901, rev. 1906) for choir, organ, and harp, *Otcenas (Pater noster)* ended it.

It was not only because both pieces carry pre-echoes of the great Festival Mass, of its banners-flying, forests-and-mountains resounding majesty and its sudden devotional awe, that both made a strong, inspiriting effect. Individuality of utterance — in blend of vocal and instrumental timbres, in the shape of the melodies, in the sharp-cut (yet—once heard, entirely natural and inevitable sounding) layout of the phrases —was notable early in Janacek's large corpus of choral music; the BBC Singers could put us all in their debt by planning a future season around that large, and for the most part little-known, collection of marvels. In the *Pater noster*, David Watkins' harp and the organ playing of Stephen Cleobury were eloquently combined; the important tenor solo, though sweetly sung by Gareth Roberts, was slightly wanting in forwardness of tone and boldness of manner.

Peter Maxwell Davies composed his *Westerlings* for unaccompanied chorus in 1976-77, immediately prior to embarking on the chamber-orchestra work, *A mirror of whitening light*. Both may be described as seascapes, permeated by the inspiration of an "extraordinary sound . . . a kind of wash . . . which comes across the bay" that lies below the composer's Orkney home.

Westerlings is one of the most poetic, evocative, and beautiful new choral works to have come my way for a long time. The Debussy *Sirènes*, transported to a northern clime, blown by more robust breezes and tossed by cooler currents, may have provided a distant starting point for the textures of the interludes, into which and out of which the poem settings merge and emerge; but the store of choral devices goes far beyond Debussy, or any other of the well-stocked choral literature of the sea. A peculiarly personal blend of sensuousness and leanness marks both the harmonic schemes and the cut and cross-cut of the vocal lines—the sound of a single soprano rising gently to a high C sharp or D flat as an "overtone" of the marine sway is only one of many remarkable touches of colour.

I cannot be so enthusiastic about Robin Holloway's *The Consolation of Music*, a setting of Strode and Herrick receiving its first complete performance; for, though delicately finished and shaped, it struck me as one of this talented but uneven composer's most precious, most mannered compositions. Nor about John Lambert's *Antiphons* with organ—made "like an alter triptych," but of dull material in predictable patterns.

MAX LOPPERT

Television

That's not Entertainment

by CHRIS DUNKLEY

The three famous functions of British broadcasting are to inform, educate and entertain. In the case of ITV this is laid down clearly in the Television Act. In the BBC's case it is, of course, more woolly. However, the 1926 Royal Charter says "And whereas in view of the widespread interest which is . . . shown to be taken by Our Peoples in the broadcasting services as means of disseminating information, education and entertainment, We believe it to be in the interest of Our Peoples . . . that the Corporation should continue to provide broadcasting services."

So in one way or another the whole of British broadcasting is supposed to fulfil that tripartite function. The question is, are they doing their job? My answer is that they are doing two-thirds of it rather well, and one-third rather badly and the bad third is, somewhat surprisingly, "entertainment."

Being obliged professionally to watch television, I have noticed in the past year or so that the programmes most often causing keen anticipation and pleasure are the current affairs series, the documentaries, the further education programmes, sport, and so on, while the requirement to keep an eye on entertainment, particularly "light" entertainment, has become increasingly onerous.

Thames Television's 'Room Service'

There are exceptions of course. Some "information and education" programmes induce more doubt than pleasure. For instance the first of a new series of Yorkshire Television's documentaries which was very prettily photographed by Mostafa Hammuri raised more questions last week than it answered:

Why was the story of salty Cornish fisherfolk called *Once In a Lifetime*?

How was it that each time one of the characters made a seemingly spontaneous visit to the pub there was a crew waiting to film the conversation from behind the bar?

Do the Paynters tape-record all their family rows, or do they only have rows when miked-up by Yorkshire TV, or what?

Why was the row at the centre of this programme not seen on lip-synchronised film like other conversations?

What on earth was the significance of the lengthy French booze up?

Who persuaded the RAF to fly Danny Paynter out to a trawler by helicopter? Who paid, and is it common practice?

Is it normal at Yorkshire TV to use phrases such as "marauding stern trawlers" and "alien predatory fleets" and "Hoovering up all the fish" in connection with the activities of the salty Scottish fisher folk?

Or was that just to gain sympathy for the supposedly small-time Paynters with their supposedly dwindling incomes? Since it is central to the story how much *does* Dan earn from tourists and fishing? What are his two boats worth — £15,000? £20,000? More?

Why were we never given even a glimpse of his home? And so on and so on; many more questions than answers.

Yet that was an exception. There are still plenty of people making admirable documentaries: Mike Radford, for example, whose *Last Stronghold Of The Gospel* conveyed a powerful if sad impression of the members of the Free Church of Scotland on the island of Lewis, with their unhealthy mixture of self-satisfaction, superstition and fear. Mike Spooner's photography of the forbidding landscape was strikingly honest.

That was one of the established *Everyman* series, and with new series such as *Life On Earth* and *The White Tribe of Africa* from the BBC, and even a company as small as Grampian wading in for ITV with a most impressive and informative programme called *A Tale of Two Cities* about the oil industry in Aberdeen and Houston, it seems fair to say that "factual" programming has started 1979 as encouragingly as it completed 1978.

"Entertainment" programmes, on the other hand, have started the new year just as dispiritingly as they ended the old one. Indeed, some recent efforts in this area have been truly pathetic.

Again there are exceptions: *The Two Ronnies* (understandably at the top of the JICTAR ratings) turn out a very highly polished product, though nowadays the shine looks more like the patina gained from continuous use than the gleam of originality. The *Monty Python* programmes are funny, as are the *Morecambe and Wise* shows but then they are all repeats.

The new material is mostly dreadful. Of the five new situation comedies I have seen this year not one has that flame of originality in writing, characterisation, or general formula, any one of which can set such programmes alight and make them compulsively watchable.

In each case the originators seem to have been obsessed solely with the idea of finding a new "situation." Thus Thames TV's *Feet First* is about a professional footballer and his wife and the excessive attempts of the soccer club's PR man to promote them. *Room Service* (also Thames) is about hotel catering staff and features an Italian, a German, a West Indian, an Irishman and so on. Granada's *Leave It To Charlie* is about an insurance salesman. *Tea Ladies* (of which the BBC has shown only what appeared to be a pilot) is about ancillary staff in the House of Commons. And *Take My Wife* (Granada again) actually employs the desperate idea of using a northern club comedian as the central character so that if necessary the script can simply call for him to deliver stand-up gags—which it does.

The idea of an intelligent person returning to watch a second episode of any of these without being paid to do so is almost beyond comprehension. It is high time the entire genre of "situation comedy" was given a rest.

Not that they are the only parts of television's light entertainment business which are looking woebegone. BBC1's new "comedy quiz" *Blankety Blank* is a word game which is dead set on mediocrity (like the growing quantities of trash-sport on television, such as *The Superstars* who compete in sports they are known *not* to excel at, for—no joke intended—the Brylcreem trophy). *Blankety Blank* according to the BBC is "a game with no right or wrong answers" which is handy since a model girl "celebrity" in the first programme wrote that a whale "sqirts." Roll on the BBC's first music quiz for the tone deaf.

Yet another new series from Thames deserves praise for at least trying to promote fresh talent: *The Jim Davidson Show* gives an entire series to the young London comedian who previously appeared in *What's On Next*. Though applauding the intention, however, one can only deplore the execution since the jokes sound as if they come from "Everybody's Book of Jokes," and Davidson has the infuriating habit of laughing harder than the audience.

And it is, once again, Thames who have induced pathos by bringing back Eamonn Andrews as a chat show host on Mondays. Much of the first edition (complete with Millie Martin, Donald Pleasance and David Frost) had the odd feeling of a programme which had left the transmitter in the early 60s and lingered 15 years in the ether before reaching our sets.

I suspect that Thames may be investing high hopes in Andrews because of the rock solid success of *This is Your Life*, just as London Weekend did with Bruce of *The Generation Game*, and I suspect that with Andrews as with Forsyth it will prove to have been the programme formula more than the man which was responsible for the ratings.

Only one new light entertainment series looks like the product of lively and new thinking: BBC2's *Innes Book of Records*, featuring singer Neil Innes in a concoction from producer Ian Keill. Last year Keill, who seems to have one of the few truly original and creative minds in television, gave us the electronic fantasy series *In The Looking Glass*. The first episode in the new series mixed Johnny Morris (and monkey), naughty Victorian post cards, Morris dancers, and Sir John Betjeman with Innes as clown, Teddy boy, and matinee idol.

If one really good series per programme category per season is all we can expect, then *The Innes Book of Records* is this season's good light entertainment. The rest is leaden. But since the success rate in information and education is so much better, it is surely time the entertainers bucked their ideas up.

Glasgow Citizens

Orpheus

by MICHAEL COVENEY

Cocteau's 1950 film, *Orphée*, is the source for Robert David MacDonald's extraordinary play of illusion and death. In 1926, Cocteau's stage version was a confident statement of the European avant garde, as well as a personal and idiosyncratic attempt to restore poetic imagination as a potent force in a predominantly naturalistic French theatre. By refining the screen play to theatrical proportions and sifting it through the inimitable Citizens house style, Mr. MacDonald and his director, the choreographer Geoffrey Cauley, have produced a contemporary spectacle of nightmarish resonance.

The key line, which survives from the play, is delivered by the Guardian Angel figure of Heurtebise to Orpheus: "If you look in a mirror, you will see Death at work like bees in a glass hive." So, Mr. Cauley has provided a stage full of swing-door mirrors through which Death, in the shape of a statuesque Princess in glittering black (Jill Spurrier) arrives in a gleaming white 1926 Rolls-Royce Open Tourer to claim her victim. The point is that to be a poet implies risking life in the cause of art. The agent of poetic mortality in 1926 was a talking horse. The modern equivalent is this incredible motor car, blurting out its odd messages—"Mirrors would do well to take more time for reflection," "Silence goes faster in reverse"—on the radio.

The car's first entrance, headlights ablaze, is a stunning coup *de théâtre*, coming as it does immediately after the road accident that transports Cegeste (Garry Cooper) to the Princess's side. The production is bathed in the luscious sounds of Gluck's *Orfeo*, and the transition from the hectic Bohemian frenzy of the opening scenes, where Orpheus is surrounded by a sneering gang of punk Bacchantes, to the eerie dream world of the afterlife, is marked by a breathtaking change of musical mood and tempo. The leather girls have urged Orpheus to "astonish us" which is, after all, what Diaghilev was always saying to Cocteau.

The only thing missing from John Sommerville's languid performance as the poet is the conviction that he might do just that. And I could not quite grasp in the play's later stages how good, or how well received, his published poetry actually was. But that is a minor weakness in a piece of work so visually concentrated on the journey from this life to another. It is somehow reassuring that the Princess should operate like a jealous lover, and darkly humorous that her revenge on Orpheus is at first thwarted by a power cut. She eventually gets her man by having him break the one condition imposed on his freedom by the underworld trial: he looks at Eurydice accidentally in the car mirror. So she dies and, shortly afterwards, he is stoned and shot by the raving Bacchantes.

Mr. MacDonald appears as an elegantly crotchety Police Commissioner, and much physical style is lent to the proceedings by the presence of Angela Chadfield at Aglaonice, Eurydice's old chum in the drinking club, who discharges her duty as a narrator in diaphonous black lace with a sly and sexy relish.

King's Head

The Erpingham Camp

by B. A. YOUNG

The last time I saw *The Erpingham Camp* I was critical of what seemed to me too much knockabout; I have since come to think that this is not only one of Joe Orton's funniest plays but one of his wisest. I don't know what edition of the script Stewart Trotter is using for his production, but I know it is not the published one. It may be that the rough-housing has been edited out a bit, or it may just be that Mr. Trotter has played it down; whatever the reason, it seems now to take its proper place as a necessary accessory to the tale and no more.

The subject of *The Erpingham Camp* is discipline. Mr. Erpingham (he would have been a lord by now if Sir Harold Wilson had stayed in office) believes in keeping order in his holiday camp. "Where's your badge of office?" he indignantly asks the Chief Redcoat in the very first line of the play. It is his dream to spread the disciplined relaxation of his camps all over the world, as the ethos of the British colonial system spread over it in the last century. The splendid Peter Vaughan, looking like a grim cross between Hughie Green and Somerset Maugham, comes right downstage to tell us about it, and his eyes light up with an unholy glow.

It is his bad luck that Chief Redcoat Riley has to take over at short notice from the new director of entertainments, who dies ("struck down by something unknown to medical science") as soon as he arrives; and Riley hits the wife of the camper playing Tarzan when she screams too loud in the screaming competition. From that moment fighting engulfs the camp (Property is damaged! Women are insulted!") and the subsequent action provides Orton's opportunity to examine the various ways in which it can be countered, by the dictatorial Erpingham, the inadequate Riley, the brutal Kenny (alias Tarzan) and his proudly pregnant wife, the reasonable Conservative Ted and his even more Conservative wife.

There isn't a moment, though, when philosophy takes over from comedy. The dialogue has, I would say, more good lines per minute than any of Orton's plays, and they are given full value by this company—Patrick Waldron as the unhappy Chief Redcoat, Olga Lowe as the lady singer, Paul Greenhalgh as the Padre with his weakness for the teenagers' chalets. (Orton hits hard at organised religion, and clearly knows more about it than you might expect.)

The production is full of comic invention, and the items of entertainment offered to the campers are performed with satirical expertise. Even the choice of music for dramatic accompaniment is witty. I urge all who are interested in sensible criticism of our way of life to make their way to Upper Street— not to mention those who just want a great laugh and quite a decent dinner.

Bacall at NFT

The National Film Theatre has announced a personal appearance by actress, Lauren Bacall, on Thursday, February 8 at 8.45 p.m. in NFT 1.

Sheridan Morley, Arts Editor of *Punch*, will conduct the interview with Miss Bacall, and extracts from several of her films will be shown.

Wigmore Hall

Suoraan

Suoraan, directed by two young composers, James Clarke and Richard Emsley, is the latest of a number of small ensembles dedicated to the performance of new music that have made their debuts during the past year. The name means "right ahead" in Finnish—and reflects the ensemble's intention "to promote, through programming and the commissioning of new works, music which it feels to point most promisingly and positively towards the future."

Exactly how Suoraan plans to ascertain which new works point most positively to the future is less clear; and to judge from their debut programme on Monday night, might it not be wiser for the moment (until they have appointed a more reliable soothsayer) to stick to those works which make their strongest impact in the present? The most forceful without doubt was the first piece of the evening, by James Clarke (b.1957), whose *Añneen/Out Loud* for flute, piano, oboe and percussion—just what is this Finnish Connection?—had much to recommend it: short, direct, satisfyingly scored and skilfully shaped, deft in its economical combination of timbres and voices.

Another slightly longer new work, *Mountainfall* for solo soprano by Michael Finnissy, delivered with determination by Josephine Nendick, exploited much the same range of vocal techniques as Berio's *Sequenza*, but on a smaller and gentler, less vivid canvas: little rills of cooing and trilling; long, sighing melismas; a rather pretty bee-loud, humming final page. *Discantus I* for solo flute by the Finnish composer Paavo Heininen was pretty too, and unassuming.

The performance by the oboist and percussionist of the group of Xenakis's *Dmaathen* (did the doubled leter mislead someone into asuming it to be a Finnish title?) was laudable, but in effect fairly pedestrian, without rhythmic lightning, electric impulse or fire. The evening's final work, *In the Days of the Voice of the Seventh Angel* by Richard Emsley (b.1951) was scored for the whole ensemble of flute, piano, oboe, percussion and soprano, and proved neither insensible, nor really pedestrian, nor in the least memorable — the sort of piece which showers on ISCM or SPNM selection juries and reading panels by the thousand, and looks about as far into the future as last week.

DOMINIC GILL

هكذا من الأصل

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Wednesday January 24 1979

Faster growth for Germany

THE MOST striking aspect of this year's economic forecast by the German Government is its pre-emptive, even defensive assertion that no additional measures of reflation are called for. One can see why the Government takes this view. The tax-cutting package introduced last year, as Germany's contribution to the programme of co-ordinated growth agreed at the Bonn economic summit in July, comes into force this month, and will play its part in raising the growth rate from 3.4 per cent in 1978 to 4 per cent in 1979. Taken with a number of other factors, this faster growth is expected to spill over into a correspondingly higher rate of inflation, from 2½ per cent in 1978 to about 3 per cent this year. Given the long-standing German abhorrence for the levels of inflation which have become commonplace in Britain, France and the U.S., *it is not surprising* that Chancellor Schmidt should feel that a 4 per cent growth rate is the maximum which is compatible with a tolerable rate of inflation.

Confident

Indeed, the economic forecast is rather more bullish than the bare figure of a 4 per cent growth rate would suggest. Wages (including wage drift) may go up by 6 per cent this year, compared with 5½ per cent last year. But incomes from investment and property should rise by 9-11 per cent, much the same as last year. In line with last month's survey by the IFO institute, German manufacturing industry is now more confident about the business climate, and about the prospects for orders and output than at any time in the past four years, which goes a long way to explain the Government's prediction that overall investment in the economy will continue to grow at a rate of 10-12 per cent this year. Since *public sector* investment will only grow at 5-9 per cent, as the effects of the 1977 medium-term investment plan begin to tail off, investment in the private sector will be growing *rather faster* than last year.

On the face of it, the forecast of a 6 per cent increase in wages might seem optimistic, since the trade unions might believe that they had both a case and *an opportunity for demanding* a bigger slice of the expected improvement in company profits. Certainly, the Government expects unemployment to decline from 4.3 to 4 per cent, and new investment to play a part in raising the increase in productivity to 3½ or 4 per cent. But the recent settlement with the metal-workers in Hesse — a *wage increase of only 4.3 per cent* — is some indication that the Government's forecast for the year may not be too much out of line with the current mood in industry.

Surplus

What the economic report does not do, however, is give any indication that the management of the German economy will make a measurable contribution to easing of instability on the international currency markets. Exports are expected to rise by 5 per cent, as they did last year, accompanied by a somewhat faster growth in imports, attributable in part no doubt to the 14½ per cent increase in oil prices scheduled for this year by OPEC; but the Government makes no forecast for this year's trade balance, let alone any claim that the surplus will be sharply reduced. Given that the trade surplus for the first 11 months of last year grew to DM 37bn, and that the rate of productivity increase forecast this year is greater than the expected rate of inflation, the only restraint on the structural trade surplus will be a slower rate of growth in overseas markets, notably the U.S.

In these circumstances, it is not entirely surprising that the traditional capital outflow, which used to be advanced by the government as a mitigation of the trade surplus, should last year have turned into a net capital inflow. To offset part of the impact of this inflow, the Bundesbank has taken steps on several occasions in recent months to tighten up on liquidity. But *it is increasingly* difficult to see how Germany can avoid the prospect of a further hardening of the mark against other currencies; how it can prevent the mark becoming de facto an increasingly important international reserve currency; or how it can reconcile its domestic economic strategy with the suitable working of a *European Monetary System.*

A clear case for reform

ONE FACTOR that is often said to impede efforts to improve British industry's comparative performance is the complexity of its trade union structure. It is by no means the only factor but there could be no better illustration of the truth of the observation than the situation in British Rail. The dispute which has closed down rail services on three days in the last eight has little to do with the breakdown of the Government's pay policies and a lot to do with the rivalry between two of the three railway unions, the Associated Society of Locomotive Engineers and Firemen, which represents the bulk of footplatemen, and the National Union of Railwaymen, which represents the remaining non-clerical grades.

The rivalry is long standing, but the roots of the present dispute go back to the railway pay re-structuring agreement of 1974. In an attempt to end the welter of special payments to different grades of railway staff which had led to one leap-frogging claim after another, all separate bonus payments were consolidated and it was agreed that there would be no more unilateral pay deals with individual groups of rail workers.

Counter-claim

The guards of pay trains were however left with a grievance. Besides their normal duties, they were expected to collect fares and issue tickets on routes where station booking offices had been closed, a task for which they received no extra pay. Their claim was eventually conceded by British Rail last February, for two reasons.

First the number of pay trains was growing and an increasing *number of guards were refusing* to collect fares, resulting in a significant loss of revenue. Secondly, there was thought to be a real possibility of industrial action by the NUR and, although there was an obvious danger of a reaction from ASLEF, the 1974 agreement did contain a rather woolly clause allowing special pay issues to be discussed separately from the national arrangements.

The danger promptly materialised and the threat of a one-day strike by ASLEF drivers on the eve of the Ilford by-election last March was lifted only after the intervention of Mr. Len Murray, the TUC General Secretary, as a result of which ASLEF was persuaded to pursue its counter-claim for a bonus payment for all drivers through the normal negotiating machinery. This claim was rejected in *October* by the Railway National Staff Tribunal, which recommended a special responsibility payment only for the drivers of certain high-speed trains.

A series of unofficial strikes by drivers followed which ended only when British Rail offered to set up a working party to discuss increased productivity payments in return for a reduction in overmanning and more flexible working practices. Although ASLEF seemed prepared to discuss these proposals, the NUR was not and, after further delays, the footplatemen's union called the present series of strikes and withdrew from the negotiations for a new national pay agreement.

British Rail may have seriously misjudged the situation last year when it accepted the pay train guards' case. But it is undoubtedly right to insist that the only way to bring about a real improvement in railwaymen's pay, improve the industry's financial position and reduce its dependence on state *finance, is by raising productivity* and eliminating archaic working practices.

More impressive

It is also clear that the dispute would have been less damaging to rail users and might not have arisen at all had there been a single rail union. The decline in railway manpower has already undermined the case for having three separate rail unions; sooner or later there must be a major rationalisation of union structure. The TUC, in the person of Mr. Murray, has now intervened twice to keep the parties talking. It would be more impressive if the TUC were to set seriously about the task of reforming its own house, beginning perhaps with the railways.

Iran: how the oil majors are trying to cope

BY KEVIN DONE, Energy Correspondent

WHEN THE International Energy Agency compiles its next batch of statistics on world oil supplies at the end of the month, the picture that emerges will be the most serious to confront the oil-consuming nations since the Arab oil embargo of 1973-74.

The last cargo of crude oil to be exported from Iran left the Gulf on December 26. Since that date a couple of tankers have taken away cargoes of heavy fuel oil to ease local storage problems in Iran, but effectively Iran's oil exports, amounting in normal times to between 8 and 10 per cent of the total non-Communist supplies ceased completely four weeks ago.

The major oil-consuming nations of the world are a little better equipped to deal with an *oil supply crisis than in 1973.* In the aftermath of the Arab oil embargo they came together, pushed firmly by the U.S., to form the International Energy Agency. The IEA, based on the countries of the Organisation for Economic Co-operation and Development — but excluding France—was an expression of those countries' determination that never again should the oil producers be able to pick off the *consuming nations one by one* by applying a selective embargo.

If there was to be misery, then at least it would be shared.

Allocation scheme

The trigger of IEA's emergency allocation scheme will be pulled only if supplies to *member countries fall by at least 7* per cent. That point is still to be reached, not least perhaps because the figures provided to the IEA by both member countries and by the international oil *companies are on an historical* basis. In addition, most oil companies were banking on a resumption of at least a small amount of crude oil exports from Iran in the first three months of the year.

That prospect now appears bleak. The turmoil in Iran shows no sign of abating. Political events are moving to a possible climax with the imminent return to Tehran of the religious leader Ayatollah Khomeini after many years of exile. But his return seems to offer little hope of an early recovery in oil production. Since the end of December, despite an apparent agreement between the striking oil field workers and leaders of the opposition National Front, production has still failed to rise sufficiently to meet even domestic demand.

Output by Iranian Oil Participants, the consortium of western oil companies responsible for producing nearly all of Iran's crude oil, had only climbed back to 580,000 barrels a day at the beginning of the week, still more than 100,000 barrels a day below the level of Iran's own needs and only about 10 per cent of its normal production.

Even if there was the will to return to higher production, it is thought that it could take at least six to eight weeks to bring many of the wells back on stream, because of the complicated technical problems which arise when output is shut down. For the moment, however, western governments and the oil companies can only wait anxiously to see what kind of attitude to oil exports emerges in Teheran after the return of the Ayatollah. The *present administration has* already made clear that it will not resume direct oil exports to Israel and South Africa. That problem may well be overcome by supplies simply being routed through the international oil companies, but it seems clear that as far as overall oil exports are concerned, it will be a very long time, if ever, before Iran returns to producing up to 10 per cent of the non-Communist world's oil.

The other OPEC oil producers, and above all Saudi Arabia, hold the key to whether the consuming nations must start their emergency allocation scheme. But until the trigger point is reached, it remains up to the international oil companies, as in 1973-74, to determine how their oil supplies are allocated. Here, there is no *sharing of the misery.*

The oil companies carved up the Middle East oil provinces between themselves in the first half of the century, and British Petroleum emerged with Iran. *The company was formed in* 1909 as Anglo-Persian Oil (later Anglo-Iranian in 1935) and was re-named as British Petroleum only in 1954, after the Iranian oil industry was nationalised.

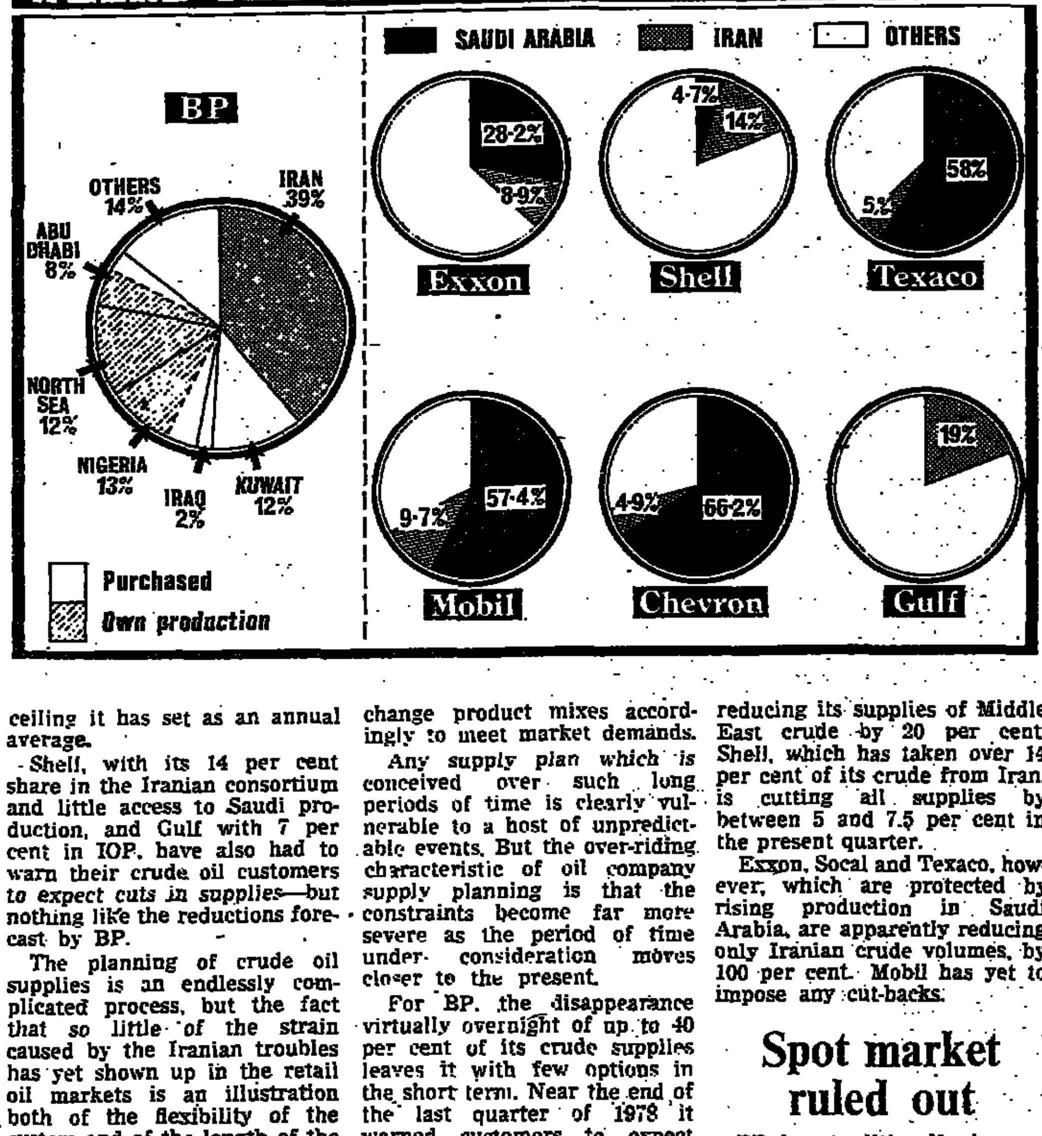
As a result, it is BP that has been hardest hit by the crisis in Iran. Despite its successful attempts to develop alternative oil reserves in the North Sea and Alaska, it was still taking *up to 39 per cent of its crude* oil supplies from Iran last year. In 1977, these amounted to 66m tonnes.

But BP has been especially hard hit for another reason: While it was sitting on major reserves in Iran and later Kuwait, four of the other oil majors were acquiring exclusive concessions in Saudi Arabia, the one country that today has sufficient production capacity unused for it to be able to mitigate at least some of the losses from Iran.

The Arabian American Oil Company (Aramco), which originally consisted of Standard *Oil of California and Texaco,* was joined by Exxon and Mobil in 1947. The company is close to being completely taken over by Saudi Arabia, but nonetheless, as concessionaires, these four companies are the sole market outlets for virtually all Saudi production.

In the square dance of oil industry politics, all four companies also acquired shares in the oil industry's Iranian consortium. But here the stakes amount to only 7 per cent each. Their loss of supplies from Iran has so far been more than compensated by Saudi Arabia's willingness to boost daily production levels far above the

WHERE THE MAJORS OBTAIN THEIR OIL



ceiling it has set as an annual average.

Shell, with its 14 per cent share in the Iranian consortium and little access to Saudi production, and Gulf with 7 per cent in IOP, have also had to warn their crude oil customers *to expect cuts in supplies*—but nothing like the reductions forecast by BP.

The planning of crude oil supplies is an endlessly complicated process, but the fact that so little of the strain caused by the Iranian troubles has yet shown up in the retail oil markets is an illustration both of the flexibility of the system and of the length of the oil supply chain.

BP organises its supply planning into three distinct elements: The "operational" phase covers the actual movement of oil and the subsequent two to three months. This is followed by a "supply" phase covering the period from three months to three years ahead. The "planning" phase covers from two years to seven or more ahead.

In more relaxed times, the oil supply planners consider the many options for meshing together most successfully the different elements of exploration, shipping, refining and marketing. Supply planning alone involves several hundred people around the world.

Different crudes

The crude oil explorers and purchasers can direct their efforts to acquiring assorted quantities of a variety of different crudes. The shippers, owning a fleet of vessels widely different in size and type, can also charter tankers according to market conditions. Refineries can work with varying combinations of crude oils and can change product mixes accordingly to meet market demands.

Any supply plan which is conceived over such long periods of time is clearly vulnerable to a host of unpredictable events. But the over-riding characteristic of oil company supply planning is that the constraints become far more severe as the period of time under consideration moves closer to the present.

For BP, the disappearance virtually overnight of up to 40 per cent of its crude supplies leaves it with few options in the short term. Near the end of the last quarter of 1978 it warned customers to expect cuts in crude supplies of up to 25 per cent. The reductions in crude loadings will normally be reflected two to three months later in falling deliveries at ports around the industrialised world.

For the present quarter BP has warned that loadings will fall even further, to 30 to 35 per cent less than normal. But it must be stressed that the reduction is in crude loadings *in the Gulf; since the tanker* journey around the Cape takes up to 60 days, at any one time there are normally two months' oil supplies at sea. But BP accepts that the absence of Iranian crude from its supply system will mean falling deliveries in Europe towards the end of February.

The first step it had to take in the last three months of 1978 was to declare *force majeure* on the majority of its crude oil contracts. BP has chosen for a number of years to cut back deliveries of all crudes to customers when it encounters troubles from one particular source. The result is that it is cutting all its first quarter supplies, including those from the North Sea and Nigeria. Gulf, which was taking about 9 per cent of its supplies from Iran (*440,000 barrels a day*) is reducing its supplies of Middle East crude by 20 per cent. Shell, which has taken over 14 per cent of its crude from Iran, is cutting all supplies by between 5 and 7.5 per cent in the present quarter.

Exxon, Socal and Texaco, however, which are protected by rising production in Saudi Arabia, are apparently reducing only Iranian crude volumes, by 100 per cent. Mobil has yet to impose any cut-backs.

Spot market ruled out

BP has traditionally been a major crude oil trader, having supplies well in excess of the demands of its own refining companies. Only some 60 per cent of its crude oil goes to associated companies in the group. Since the rest is traded, BP has moved quickly to try to limit this part of its operations as far as possible. Selling on the spot market has been virtually ruled out—this accounts for as much as 10 to 15 per cent of normal crude supplies.

A top priority is to limit the effects of the cut-back in crude supplies on associate companies. *One way of helping this process is for affiliates, such as BP Oil in* the UK, to negotiate part of their supplies independently. This has been happening for some years, with BP France, for example, acquiring some supplies *from* Russia and Deutsche BP forging a successful supply link with Algeria.

In addition to such measures, BP can try to benefit from the exchange of oil supplies as they are indirectly redistributed among the international oil companies. Crudes are traded between the companies so that they can adjust overall qualities in line with refinery demand. The market in which supplies were already becoming tight before the Iranian troubles, is proving to be extremely tough. But BP holds one helpful negotiating card in its access to the particularly sought-after lighter crudes of the North Sea, *especially the Forties Field.*

The Iranian crude is important to BP for its part in the overall supply pattern, rather than for its particular profitability. The immediate profit margin on Iranian crude was only about 16-30 cents a barrel. Moreover, the tightness of the crude oil market is pushing up the profitability of other BP crudes, such as that from Forties. For example, a rare *spot cargo from* one of the North Sea fields to the east of the Shetlands (not a BP field) was sold recently for $16.50 a barrel. The present price for Arabian light market crude is $13.34 per barrel (including the 5 per cent first stage of the OPEC price rise).

Apart from cutting deliveries and negotiating for extra supplies from other oil companies, BP has also approached many of the oil producers direct. This yielded some small advance earlier this week, when Kuwait agreed to sell an extra 40,000 barrels a day on a year's contract to BP, Shell and Gulf. (This is still only equivalent to about 2.5 per cent of the lost Iranian production).

Far more important to the overall oil supply picture are the actions of Saudi Arabia. It has set an annual limit to its production of 8.5m barrels a day. But this is an average level. For much of 1978, while the temporary glut of oil supplies continued, production was far below this. By the end of December production had risen, however, to some 10.5m barrels a day, making good perhaps half the loss of Iranian crude.

Rumours have surfaced in the past two weeks that Saudi Arabia is to change the interpretation of this limit to a quarterly basis. With quarterly price increases being introduced by OPEC, why should Saudi Arabia produce at its highest levels when prices are lowest, and face cut-backs in production later this year, when prices have risen significantly?

The Saudi position is still to be clarified, but the rumour has sent further tremors through the oil market.

For the immediate future the effects of the loss of Iranian production are not likely to be observed by consumers in the industrialised world as long as Saudi production holds up. That will take care of the spring and summer months. But during this period countries would normally be building up stocks badly depleted during the winter. According to the IEA, world-wide stocks are presently falling by 4.2m barrels a day against the normal winter reduction of 2-2.5m barrels a day. Without Iran, it could prove impossible to replace those stocks during the spring and summer. With or without the triggering of the IEA mechanism in the coming weeks, that could lead to a very uncomfortable time next winter.

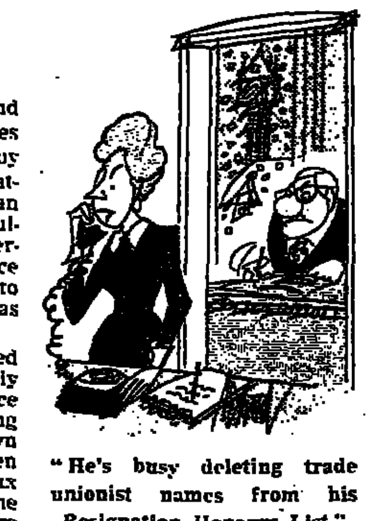
MEN AND MATTERS

Five wise men in Brussels web

There was surprise all round two years ago when James Callaghan announced that Roy Jenkins, then president-designate of the European Commission, would be overhauling the institution's cumbersome working methods. Since no one had actually agreed to such an overhaul, the idea was quietly dropped.

Now it has been resurrected by Jenkins himself, who hardly *makes secret his impatience* with the Brussels way of doing things. A panel, already known as the Five Wise Men, has been asked to report within six months on how to make the machine tick over more smoothly. Headed by one of the founders of the European Iron and Steel Community, Dirk Spierenburg former Dutch ambassador to the EEC and to Nato — the panel is no doubt aware it is walking into a minefield.

Eurocrats are hardly going to be pleased at our inspection of the spider's web of regulations which make it almost impossible to sack anyone, or to promote *the young and able.* And Berlaymont watchers are laying long odds against the panel on the more vital task of tackling the EEC's own old Spanish custom of allowing member governments to fill their quota of key jobs, often regardless of qualifications.



"He's busy deleting trade unionist names from his Resignation Honours List."

Queen of Sheba

If you want to print and publish an Arabic magazine in Europe, the best place is London. That is the verdict of Zelfa Draz, now preparing to launch a glossy magazine named Sheba. With initial backing of £250,000 from Saudi Arabia and the Gulf, the monthly will be aimed at wealthy Arab women.

Zelfa, 28, formerly married to a Yugoslav, learnt her journalistic skills on a magazine called Vog in Turkey (after some representations from Vogue, the name was changed). She is now opening offices in Covent Garden and a glossy *dummy issue is going the rounds* of the advertising agencies.

The only rival in the field is edited by the sister of Saudi entrepreneur Adnan Kashoggi from Paris, but Mrs. Draz feels confident that her melange of fashion, literature and architecture will carry the day.

Sheba will be unashamedly Vogue-Harperish. There will be some constraints. "We won't have any photographs showing bare legs, for example."

When I asked what Arab men would think of the magazine, the editor-in-chief had the anhwer ready: "We are catering for them—men's clothes, cars, and sport."

There is a market in Britain alone. At least 50,000 Arabs have residences here now.

Mystery house

Being said to have a house next to one said to be owned by the Shah of Iran is not so popular these days. There was a sharp response when this column asserted recently that Parviz Khonsari, formerly Iranian ambassador to Switzerland, owned a property in Godalming, Surrey, next to "Stileman's Stud," which belongs to a mysterious concern called the "Imperial Horse Institute."

Khonsari says in a telegram from Tehran that if I can prove he owns the place, he will give it to me. Much as I would like a house in Surrey, the suggestion it totally withdrawn. Who does own it? Some strictly anonymous member of the Iranian Ministry of Court.

Jenny spins along

Yesterday's weather was something of a disappointment to Jenny Bacon, because the snow stopped her going to work as usual by bike-six miles across London from Islington to Victoria. But it was some solace that at 33 she has this week been put in charge of a national *organisation with an annual* budget of £64m.

Jenny Bacon, a product of Bedales and Cambridge, is now Controller of training services for the Manpower Services Commission. She is probably the youngest civil servant of assistant secretary rank, with a salary of more than £10,000.

Formerly principal private secretary to Employment Minister Albert Booth—"A very *nice man,*" she *told* me— she now adminsters 69 Skillcentres throughout Britain and the MSC direct training services to industry. I asked her if she felt it right that of the 25,000 people trained at Skillcentres last year, only 817 were women.

"Definitely not," she said. "We would welcome more girls taking training in crafts." she sees her immediate task as consolidating what has been achieved, while widening the range of the Skillcentres.

Dark-haired and attractive, Jenny Bacon lives alone and speeds much of her spare time at the opera. Would she call herself a woman's libber? "I've no wish to tear off my underwear in public," she replied. "It's a matter for each individual."

Safety in numbers

Those able to drag themselves away from the Design Centre's Materials on the Move exhibition — with its special emphasis on "the use of robots in a hostile environment" — turned northwards yesterday to the pool of light offered at the 35th annual Amusement Trades Exhibtion at Alexandra Palace.

At least in gambling, Britain still rules the waves, it seems: on the stand boasting the name of the Edward Thompson Group of Sunderland, one smiling man told me proudly that the company had this week managed to send off 17m bingo cards to Oslo in a seaborne container, and a further 10m are being freighted to Holland today.

"Bingo," said the Edward *Thompson man,* "*has a strong* international following." At least some of the inhabitants of Sunderland are kept busy servicing the world with 200m bingo cards a week.

Shifting scenes

With an atmosphere of uneasy speculation hanging over the future of the eight Iranian banks in London, one prominent American banker, while remaining optimistic, summed up everyone's fears: "In a taking-it-to-the-other-extreme scenario," he mused gloomily, "you could get a totally Islamic regime *which did not believe in usury.*"

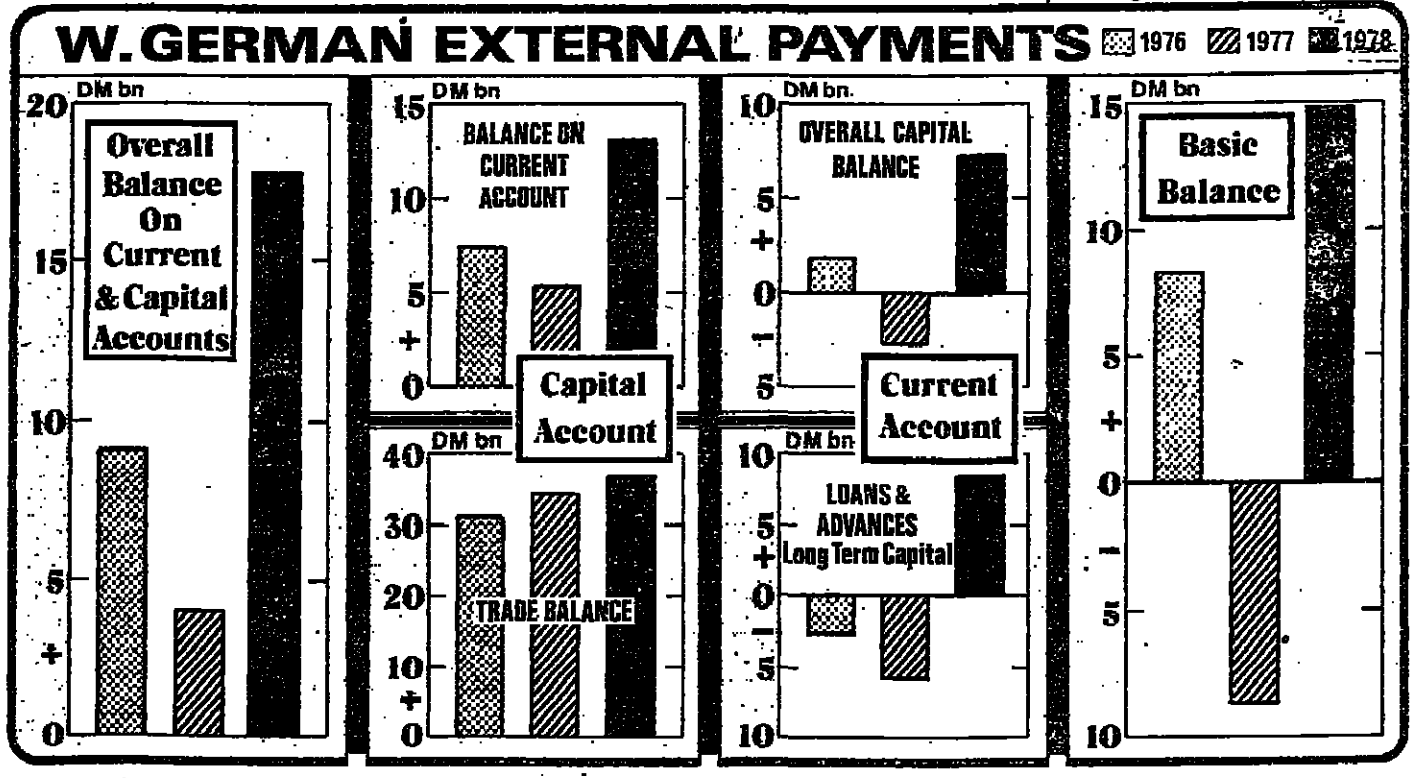
Icy warning

Peering through the blizzard on Southwark Bridge yesterday, I just managed to read the notices put out by the Metropolitan Police: "Speed Checks in Operation."

Observer

A German dilemma By JONATHAN CARR in Bonn

Too good for comfort



THE DISAGREEMENT between the West German Government and the Bundesbank over economic growth prospects this year may look like a purely domestic squabble. But it raises important questions about the future stability of the dollar, of the European Monetary System (EMS)—and about West Germany's new role in the world as a net importer of capital as well as a trade surplus country.

In domestic terms the Bundesbank's arguments about money supply, economic growth and inflation are wholly consistent. The central bank had set a target of 8 per cent for the increase in money supply last year. In fact the margin was exceeded by 3.5 percentage points for the year as a whole. Indeed in the last three months central bank money stock was actually rising at an annual rate of almost 14 per cent.

As long as economic growth was weak the Bundesbank was ready to tolerate such overshooting, and the more so since the rise of the Deutsche Mark forced down import prices and helped to slow down domestic inflation. But it clearly thinks the situation has now changed.

After a very slow start last year, real growth in GNP, to general surprise, finally totalled 3.4 per cent—hardly less than the Government's initial projection. Latest order and production figures indicate that the upswing could continue and 4 per cent real growth in 1979 seems feasible to many experts, an estimate adopted also by the Government. But that would appear to imply an increase in the inflation rate from less than 3 per cent last year to more than 3 per cent in this.

Not necessarily, says the Bundesbank. It has set a new money supply target in a range between 6 per cent and 9 per cent between the last quarter of 1978 and the last quarter of this year. It argues that this will allow it to act flexibly—giving a touch of the brake if there seems to be overheating, or of the accelerator if the economy appears to flag.

The Bundesbank after all has a legal duty to defend the currency. As its vice-president, Herr Karl Otto Poehl, put it last week: "The economic and political strength of the Federal Republic has rested in large measure on the stability of our currency—and will continue to do so."

Quotas cut

The first touch of the brake came last month when the Bundesbank cut rediscount quotas. It followed this up last Thursday with the announcement of a rise from 3½ to 4 per cent of the Lombard rate (the rate at which it will grant advances against securities), and of an increase in minimum reserve ratios which should take about DM 3bn out of the banking system from next month.

Naturally the Government does not always agree with the Bundesbank—but it is rare for differences to emerge clearly in public. Hence the surprise caused by the proceedings after the central bank council meeting at which the new measures were decided. No sooner had Dr. Otmar Emminger, the Bundesbank president, announced the decision than Herr Manfred Lahnstein, State Secretary at the Bonn Finance Ministry, who had attended the council meeting, made it clear that the Government thought the steps were unnecessary at present. (In case it be thought that the absence of the Finance Minister, Herr Hans Matthoefer, downgraded the criticism from Bonn, it should be noted that Herr Lahnstein has for months been fulfilling a role at home and abroad which many would feel belonged more naturally to his boss.)

Herr Lahnstein made it plain that Bonn felt there were greater risks to the economic upswing than the Bundesbank believed. He expressed fears that the step might tend to push up interest rates, among other things making the financing of the public sector deficit more difficult. These two points—on the economic recovery and on interest rates—are the link between the domestic impact of the Bundesbank's policy and its international implications.

The West German Government spent much time and effort in the first part of last year deflecting suggestions, from the U.S. in particular, that it should act as a "locomotive" of the world economy. The idea was that the Germans should do more to stimulate domestic growth thus increasing imports and cutting their trade surplus.

The German answer was that while their visible trade surplus was large, they had a traditional deficit on services and transfer payments so that the current account surplus was fairly small and moreover, declining. Finally, and apparently convincingly, both the Bonn Government and the Bundesbank drew attention to the deficit on West Germany's basic balance—that is the current account plus the sum of long term capital transactions. It was argued that West Germany had exported much more long term capital than was needed to compensate for the current account surplus—and that therefore it was not creating serious external payments difficulties for its trading partners.

These arguments together helped ensure that at the western economic summit conference in Bonn in July the "locomotive" was dropped, it seemed for good. But West German payments figures for 1978 (so far only the first 11 months are available) indicate that the theory may return with a new twist in the months leading up to the next economic summit in Tokyo.

Between January and November last year West Germany not only achieved a bigger trade surplus than in the same period of 1977 — DM 36.98bn against DM 34.2bn before. Its current account surplus increased sharply from DM 5.5bn to DM 13.1bn—thanks partly to a smaller deficit on services and transfers. And, perhaps most significant, the basic balance shows a surplus of nearly DM 15bn after a deficit of DM 8.7bn in the same period of 1977.

It could well be argued that the rise in the value of the Deutsche Mark in 1978 understated the real volume impact of foreign imports on the German market. But it is also plain that the strength of the Deutsche Mark is attracting to Germany on a big scale, not simply short-term speculative funds but longer-term capital.

External loans

The problem does not lie in the field of direct investment. The figures here show a similar pattern to that of 1977. On the contrary, by far the biggest swing has come in long-term bank external loans and advances—from a net export of DM 5.8bn in January-November, 1977, to a net import of DM 8.5bn in the same period last year. The Bundesbank thinks the movement reflects not so much the needs of German banks for refinance as the increasing demand of non-residents for longer term Deutsche Mark assets.

It is hard to discern exactly who these non-residents are since much of the inflow of long-term foreign bonds comes from classic Euro-market centres. The precise origin thus remains obscure, but it is plain that the inflow is anything but helpful to the dollar. The U.S. is held to need big imports of capital to help finance its current account deficit, which, it is hoped and predicted, will be much smaller this year than last. To achieve that, it is believed that the U.S. must curb inflation and produce a big enough interest rate differential, particularly on long-term deposits, to attract funds from abroad.

However, not only is West Germany already highly attractive for long term funds but its central bank has just initiated action which may signal an increase of interest rates—thus tending to reduce the differential with the U.S. If the Bundesbank succeeds in holding down inflation to little more than the current level, what is to stop further upward pressure on the Deutsche Mark and further demand for Deutsche Mark assets? It may be argued that the U.S. should do still more to help itself and its currency. But there is plainly a limit to the action the U.S. can take, for example, to push up interest rates at home without turning a search for greater stability into a recession.

The Americans will no doubt feel—when they compare their own action with the German efforts—akin to Alice Through the Looking Glass. By running one simply remains on the spot and to get anywhere one must go at least twice as fast.

Write down

The West Germans mean it when they say they want a stable dollar. Last year the Bundesbank carried out DM 24bn worth of intervention to help stabilise the U.S. currency. This not only caused a rise of domestic money supply. The continuing slide of the dollar, despite the worldwide support action, also meant that at the end of last year the Bundesbank had to write down the value of its monetary reserves (including dollars gained in previous years) by DM 10.6bn. This follows a write-down of DM 7.8bn in 1977 and of DM 7.5bn in 1976. What central bank in its right mind would not want to halt this strenuous, unprofitable activity?

The Germans are also opposed to the emergence of the Deutsche Mark as a reserve currency for historical and political reasons as well as purely financial ones. Yet it is estimated that between 8 per cent and 10 per cent of official world monetary reserves are now held in the German currency — to which the private holdings of foreign companies, pension funds and so on must be added. The greater the success of the West German economic and financial performance relative to the American one, the more likely it is that the Deutsche Mark's position will strengthen further.

The implications are serious not simply for the Dollar-Deutsche Mark relationship but for the proposed EMS. The system in its initial form will clearly not of itself undermine the existing reasons for the particular attraction of the Deutsche Mark. It might have done so had the European Community adopted a system insisting on corrective action by a strong—as well as a weak—currency country when its currency crossed a fluctuation threshold defined in terms of the European Currency Unit (ECU). But this kind of additional burden was rejected by the Bundesbank, for one, as unacceptable. The final formula adopted is looser. As things stand, the Dollar problem seems bound to mean particular pressure on the Deutsche Mark rather than on its EMS partner currencies and hence will act as a highly unsettling factor for the system.

Reserve asset

An alternative would be to build up the role of the ECU so that it could gradually take on the role of a reserve asset, thus removing some strain from the Deutsche Mark. Quite apart from the temporary difficulties the EMS has run into, that will require time. Meanwhile the Germans will have to live not only with the domestic benefits of their success but with the external pressures from all those floundering behind.

Letters to the Editor

Unity in Europe

From Mr. F. Paton.

Sir,—It is becoming increasingly fashionable to call for a total review of the Common Agricultural Policy and your report (January 16) that Britain may decide to intervene in the difficulties between France and Germany over agreeing on monetary compensatory amounts and farm price levels as a prerequisite to the commencement of the European Monetary System should not be taken lightly. The record of our present Ministers in their comprehension of the importance of the "politique" of CAP has not been good.

The aim of the Community and its institutions is to create a unity in Europe which supersedes national priorities and the threat of Britain, France and Germany pursuing their national interests over the CAP is a serious threat to Europe's future.

Agriculture is at the heart of unity throughout Continental Europe. Everything that is stable and secure in Continental life comes from the land: the family home; exports; self-sufficiency in food supply; guaranteed employment; and an increasing prosperity that is a tangible and visible part of everyday life. These are the yardsticks by which the people of Europe measure the success of the CAP and the European idea—not the temporary oversupply of certain commodities or the rise in farm gate prices.

This is the achievement of the "politique" of the CAP; it is the cradle of European society and if this vital, self perpetuating rural society were to be destroyed by British intransigence or French nationalism it would destroy the whole concept of European democracy.

The future of our democracy depends on the success of Europe and that success depends on developing new policies that will make as great a contribution to the quality of life of the people of Europe as the Common Agricultural Policy is doing now.

Frank Paton.
Smocombe House, Enmore, Bridgwater, Somerset.

Farmers and prices

From Mr. D. Bloom.

Sir,—It seems very odd of you to invoke (January 16) the farm price review as evidence in favour of devaluing the Green Pound, when your own columns tell us that last year's 11 per cent fall in farming income was an average struck between great extremes: minus 57 per cent for arable farmers, mainly because of the collapse of the potato market which we run on a national basis, and plus 35 per cent for dairy farmers whose products are the very essence of the common agriculture policy. Devaluing the Green Pound would do absolutely nothing for potato farmers and would make the EEC milk surplus worse.

You assert that devaluation of the Green Pound must be matched by revaluations elsewhere. Setting aside the impracticability of a proposal which will only be entertained by the Germans if their farmers are compensated by national subsidies (which would negate the purpose of revaluation) or by general agricultural price increases (which would vastly compound the problem) you seem not to have noticed that green currencies are not arranged symmetrically above and below the agricultural unit of account's theoretical value but are mostly below. Abolition of green rates would itself be a general price rise.

It is fascinating to learn that the EEC Commission is beginning to see merit in the idea of national subsidies, albeit for rich German farmers rather than for poor Italian ones but, if it may not be heresy after all, wouldn't it make sense for all of us to go over to national subsidies (which the French run already, by covert means) and abandon the absurdity of a politician-regulated price system? Paradoxically, one result would be a real common price level in the Community at last, and at a level which would benefit consumers and put a brake on inflation.

At one time it was being argued that Britain could obtain a reform of CAP as a price for entering the European Monetary System. Now we are told that we must make concessions on CAP so that other countries can enter the EMS!

Derek Bloom.
47, Old Church Street, SW3.

Heathrow airport

From the Senior Public Relations Officer, Heathrow Airport

Sir,—H. A. Lamotte (January 13) says that the three terminals at Heathrow are rapidly becoming obsolete, and that nothing is being done to improve the "hopelessly inadequate" facilities.

As a regular traveller, Mr. Lamotte should be aware that over the past few years, British Airports Authority has invested some £70m from its own resources in a huge redevelopment programme for Heathrow, which reached its peak last year. Terminal 2, for example, has been completely rebuilt and modernised (work is continuing in some areas). Terminal 3 has been extended and improved and new gaterooms have been provided at all terminals. An additional £30m was spent by London Transport on the Underground link to the airport.

Currently, nearly £9m is being spent on a new satellite terminal between Terminals 1 and 2, and a further £5m has been allocated for further big improvements to the two terminals. British Airport's plans for a fourth terminal at Heathrow have, of course, been the subject of a planning inquiry.

Heathrow's passenger traffic has doubled in 10 years to a current 26m. Development, modernisation and improvements to all passenger facilities at Heathrow has continued virtually without a break ever since the British Airports Authority was established in 1965.

R. Berry,
British Airports Authority,
Queen's Building,
Hounslow, Middx.

Third World industry

From Dr. S. Al-Bazzaz

Sir,—Your report (January 16) entitled "Strategies for Third World industry" pointed to the many concerns of international management. As industry is affected by the pervasive influence of government, I hope I may be permitted to highlight this important dimension of economic development.

Although one can argue that planning at every level is commendable, a major obstacle to economic development in many Third World countries is the axiomatic belief on the part of government, in the necessity and beneficial results of central planning of both economic life and technology. Related to this is neglect of costs and the incidence of costs. This is evident in, for example, the Indian plan of 1973 which espoused aspirations and development path unsupported by history. For example, state-supported heavy industries are not necessarily the only instrument of progress (viz. Holland, Canada, Australia, Taiwan, Malaysia). While centralised planning, however, does not increase resources but only diverts them to some sectors at the expense of others, there are no grounds for overriding private decisions and divorcing output from demand by concentrating power in a central planning body.

Furthermore, the exaggerated belief in the efficacy of very expensive science and technology leads to failure to distinguish between technical and economic efficiency. (This is evident in developed countries, too, for example, Concorde, Rolls-Royce.) This neglect tends to underplay the importance of personal, political and social determinants of development. These beliefs and practices result in adverse effects on the allocation of resources (aggravated by licences, permits, etc., granted in most cases for political and ethnic considerations) on mobility and on economic opportunities through external business contracts.

The reinforcement of authoritarian traditions and the diversion of economic effort to political life promoted by centralised planning result in much waste and political and social conflict. If self-sustained growth of Third World industry is to be achieved and accelerated, the task of managements is to lobby for a looser framework within which individuals and businesses are encouraged and enabled to contribute to economic development. Although differences among and within countries are recognised, this does not detract from the viability of the much admired, though not necessarily thoroughly understood, path that Japan took and others like South Korea, Taiwan and Singapore now follow. The neglect of analysis of the economic aspects of technology and of costs of aspirations to technological grandeur is wasteful. More importantly, it is callous to the poor and the hungry in the Third World.

Dr. Shawki Al-Bazzaz
(Research Fellow),
Manchester Business School,
Booth Street West,
Manchester.

Public sector pensions

From Mr. R. Smith

Sir,—It is always a pleasure to read a letter in your columns which provides me with new information and at the same time allows scope for disagreement with some of its conclusions. Mr. Nottage's letter (January 10) contains these twin satisfactions.

I had not before seen the reference to the Treasury's evidence to the Wilson Committee (para 17) in which it estimates the cost of funding public sector pensions to be about £1bn per annum. I do, however, have misgivings about the way that sort of information may be regarded by individuals who are unclear in their definition of "funding" and who may be unaware of the beneficial implications of such funding. Very broadly, funding implies an actuarial estimate of future and current pension liabilities which are then translated into terms of the present value of money. In short, when companies and employees make their contributions they are helping to pay for tomorrow's benefits. Is that not an equitable and reasonable principle to adopt?

By "paying as you go" one is not cutting costs at all; instead the costs of pension which are to be paid to us, the present working population, are simply being shifted forward for other generations to meet. This argument for cutting the present value cost of pension liabilities is somewhat analogous to the argument that a company can reduce its costs in the current financial year by a reduction in its depreciation charge or a cutting back in its capital spending programme.

Should an industry, because it is nationalised, not have a capital programme or depreciation policy designed to make provision out of current revenues for future capital requirements? In the same way, why should it not make suitable provision for the future pension liabilities of its present employees? Conversely, if one argues that state pension schemes should be on a "pay as you go" basis, simply meeting the cost of current pension fund liabilities, why should state enterprise not follow a similar policy in its industrial activities meeting only actual current costs out of its revenues. My own answer is that it is inequitable and myopic to disregard the needs of the future. The difficulty in forecasting future events certainly does not provide an argument for ignoring them.

We should also ask ourselves whether, apart from the considerations of equity and saving, the funding of state pension schemes does not confer other benefits? The existence of large institutional savers who take a professional interest in the best use of money is a positive contribution to our national well-being. Certainly, the Government must take into account the views and expectations of such institutions when it comes to drawing up its economic programme. But that must surely be a helpful discipline for all Governments, since savings institutions are always encouraged by successful government economic policies and dismayed by bad ones.

The current industrial problems in this country tell us why it is that yields on fixed interest stocks, with many years to maturity, have for a number of months been yielding significantly more than the recent rates of inflation. If savings institutions had formed the opinion that inflation would have continued at around 7 per cent in the future then yields by now would be lower than they are.

Furthermore, we must not forget that the British economy is not a closed one. The recent rise in interest rates here was not designed to meet the requirements of British savings institutions but rather for international considerations at a time when interest rates were rising in the U.S. The only role that the institution plays in this situation is to discount the financial implications of such political moves.

Funding implies a clear delineation of a corporation's welfare liabilities as opposed to its normal commercial liabilities. How sad it will be, if we ever reach a stage in this country when we cannot readily or adequately distinguish between a nationalised industry's cost of production and the cost of pension provision. My fear is, that a "pay as you go" system would only blur the outline of future problems.

R. Sutherland Smith.
18, Widecombe Way,
Hampstead Garden Suburb, N2.

Cliche-ridden dogma

From Mr. J. Price

Sir,—Mr. Jan Toporowski's letter (January 18) is perhaps typical of much of the cliché-ridden dogma to which one is constantly exposed today. After an initial dig at the "rich" managers he brought out the time worn arguments, informing us scaremongers that these are reasonable men who are merely engaged in exercising their legal rights to defend their members' economic interests.

For him the union movement would seem to be a purely positive force, unlike managements, who wilfully ignore social responsibilities in the quest for more and more profit. All these arguments are very common, be they in defence of the closed shop or indeed in defence of present events. Surely it is possible for a union, a group of mere mortals, to do damage. And events would appear to bear this out.

Does the present truck drivers' action really serve anyone's interests? In damaging the members' firms the reverse is surely the result. Mr. Toporowski's claim that unions are exercising their legal rights is blatantly dishonest. I read in your columns (January 18) that pickets are holding up the Royal Mail and all over the country shameful "Sturm-Abteilungen" are similarly implementing their own law, via typical SA tactics of intimidation. Mr. Callaghan stands impassively in full knowledge of these tactics, and makes weak suggestions. A voluntary code of practice is proposed. Voluntary obedience of the law? It is reminiscent of Hitler's claim: "*Nicht der Staat befiehlt uns, sondern wir befehlen dem Staat!*" One day the unions may be claiming this in public. The present lawless situation seems to anticipate such a state of affairs.

James L. Price.
Wayside Cottage,
Horton-cum-Studley,
Nr. Oxford.

Today's Events

GENERAL

TUC general council meets.

Meeting of Labour Party national executive.

Health and Safety Executive report on manufacturing and service industries.

PARLIAMENTARY BUSINESS

House of Commons: Public Lending Right Bill, remaining stages.

House of Lords:—Representation of People (Armed Forces) Bill, third reading. Debates on social and industrial policy-making and proposed transfer of flights from Heathrow to Gatwick.

Select Committees. Nationalised Industries, Sub-committee E. Ministers, Parliament and the nationalised industries. Witnesses: Professor J. B. Meach, Mr. M. Garner, 4 pm. Room 8. Nationalised Industries, Sub-committee B. Report and accounts. Witness: British National Oil Corporation. 10.45 am. Room 8. Science and Technology, Genetic Engineering Sub-committee. DNA policy. Witness: Health and Safety Executive. 10.30 am Room 15. Expenditure, Trade and Industry Sub-committee. UK domestic air fares. Witness: Airline Users' Committee. 10.15 am. Room 16. Expenditure, Social Services and Employment Sub-committee. Perinatal and neonatal mortality. Witness: Royal College of Obstetricians and Gynaecologists. 4.30 pm. Room 16. Overseas Development. Pattern of UK aid to India. Witness: Crown Agents. 4.30 pm. Room 6.

COMPANY RESULTS:—Finals: Rank Organisation. Tate and Lyle. Union Discount. **Interim:** James Austin Steel. Marston Thompson and Evershed.

COMPANY MEETINGS: J. A. Devenish, Weymouth, 12.30. General Stockholders Inv., Winchester House, E.C., 10.45. MEPC, Dorchester Hotel, W., 12. Wolverhampton and Dudley Breweries, Dudley, 12.

هكذامن الأصل

UK COMPANY NEWS

Davy sets full year target at around £25.4m

WITH TAXABLE profits slightly improved from £8.4m to £8.82m for the six months to September 30, 1978, the directors of Davy Corporation say the full year results are likely to be in the region of the previous year's, when pre-tax surplus reached £25.4m.

Turnover for the period rose from £106.15m to £125.74m, which with the increase in work in progress at £90.57m (£65.95m) lifts total work done by £44.21m to £216.31m.

The directors say it is not possible to accurately predict current year profits, but results will be affected by the position in Iran, where a number of contracts were in the course of construction, and the continued poor demand for certain sectors of the group's manufacturing business, notably castings.

The Iran situation is quite confused and although the company is well protected, the directors are bound to take a conservative view at this stage, they state.

The good order book of last year has been well maintained and the flow of future profits remains healthy, the directors report. The group's strong cash position has continued.

After tax of £4.43m (£4.37m) half-yearly net profits were little changed at £4.09m against £4.03m. The net interim dividend is effectively raised from 1.815p to 2p per 25p share, costing £1.51m (£1.37m)—last year's final was an equivalent 3.7125p.

In the last few months, the directors say the most notable events have been the acquisition of McKee Corporation in the U.S. and the increasing opportunities for business in China.

Several significant contracts have been obtained in China, amounting to some £150m. by the group's German and British companies: the potential is very *great indeed and* is viewed optimistically. Other markets in the world continue to be served with vigour, they add.

The directors describe the merger between Davy and McKee as an event of great importance to both companies which has created a capability for engineering and construction of considerable magnitude, offering high potential benefits.

In the short term, however, the McKee workload is below the high level of recent years, reflecting a cyclical downturn in the engineering and construction industry.

Lex, Back Page

HIGHLIGHTS

Davy Corporation releases a disappointing set of half-year figures and the shares fell by a tenth yesterday. In the money market short term interest rates have moved significantly higher in the last couple of days. Finally Lex looks at Associated Newspaper's major plans to cut serious losses at the Evening News. Elsewhere Courts has produced a sharp upturn in half time profits, thanks to a large transfer from deferred HP profit into the profit and loss account and Smith Brothers produces its interim.

Bootham expands to £0.68m

PRE-TAX PROFITS of Bootham Engineers rose from £581,952 to £681,193 in the year to October 31, 1978. *Turnover* was well ahead at £5.01m against £3.7m.

After tax of £270,332 (£269,886), earnings per £1 share are shown to have risen from 61.7p to 81.2p.

The net final dividend is 2.895p, making an effective total of 5.145p—last year's payment totalled an adjusted 4.6075p.

At the half-way stage, pre-tax profits stood at £259,000 (£196,000).

Hall Bros. Steamship deficit

A LOSS of £190,630 in the year to August 31, 1978, is reported by Hall Brothers Steamship Company. Last year there was a loss of £123,269.

The current figure is struck after all charges and exchange losses of £36,444 (£53,139). No tax is payable (£7,923).

Loss per £1 share is stated at 34.46p against 16.36p. There are no ordinary or preference dividends—last year the total payment was 2.64p.

Turnover in the year was up from £782,617 to £859,165.

Greenfriar

Earnings per 25p share of Greenfriar Investment Company are shown to have risen from 1.81p to 1.87p in the year to December 31, 1978. The net dividend is increased to 1.65p (1.45p).

Gross income of £295,701 (£227,480) is subject to interest of £155,191 (£83,258) and management expenses of £36,223 (£30,588). Tax is payable at £29,655 (£41,139).

Reduced market activity hits Smith Bros. profit

REFLECTING A reduced level of market activity, profits before tax of Smith Bros., stock and share jobber, dropped to £222,610 for the half year to October 27, 1978, compared with £704,282 last time.

Since the half-year end turnover has not improved, but the directors say it is too early to forecast the outcome for the full year.

Tax for the six months takes £125,000 (£350,000) leaving net profits down from £354,282 to £97,610.

The interim dividend is kept at 1.5p net per 25p share, costing £131,011 (£126,912), and leaving a loss of £33,401 against a £227,370 surplus.

In the 1977-78 full year, pre-tax profits of £1,147,295 were achieved and dividends totalling 4.96617p were paid.

● comment

The profit of Smith Brothers, stock jobbers, continues its roller coaster path despite the efforts of its management to diversify sources of income into the international securities business. The sharp drop in pre-tax profit for the first half reflects very flat turnover on the London exchange. The effects of this were inadequately offset by dealing in gold mining shares—a Smith Brothers specialty—where international activity was also muted. So far, the company's Californian venture and its activities on the European Options Exchange have not had time to make a real contribution. There are still three months to go and a burst of Stock Exchange activity could make a big difference. But as yet there is no sign of an improvement. The management has incurred a small deficit in maintaining the interim dividend. Assuming that this is what they will do for the full year the shares yield a substantial 14 per cent at 53p, down 3p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bootham Engineers	2.9	—	4.61*	5.15*	4.61*
Courts (Furnshrs.) int.	1.71	Apr. 12	1.56	—	3.55
Davy Intnl. int.	2	April‖	1.82*	—	5.53*
Hall Bros.	nil	—	2.64	nil	2.64
Kakuzi int.	46†	Feb. 26	60§	—	160¶
MIM Holdings int.	4.5**	Apr. 2	3	—	8
Smith Bros. int.	1.5	Mar. 29	1.5	—	4.97
David S. Smith int.	2	Mar. 9	1.25	—	2.88
Vantage Securities	0.45	Mar. 28	0.35	0.65	0.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Kenya cents throughout. § Includes special dividend of 20K cents. ¶ Includes special dividends total of 80K cents. ‖ Early. ** Australian cents throughout.

Martin the Newsagent set for buoyant year

A MATERIAL improvement in profits for the current year is expected by Martin the Newsagent, assuming industrial action affecting suppliers is no worse than last year, Mr. J. B. Martin, the chairman tells shareholders.

At least £2m is expected to be spent on expansion this year; most of this will be in the purchase of established shops with the balance used in fitting out about 12 sites and redeveloping six existing branches.

In July a second warehouse will be opened in Tamworth, Staffs., to service the midland, northern and western branches. It will make a contribution to profits in 1979-80, the chairman says.

For the year ended October 1, 1978, profits before tax improved from £2.92m to £3.16m on sales of £76.52m against £64.86m.

On a CCA basis, pre-tax profit is reduced to £2.76m after adjustments for depreciation, £290,000, cost of sales, £300,000 and gearing, £190,000.

Meeting, Connaught Rooms, WC, February 14 at noon.

NEW LIFE BUSINESS

Strong headway by Reliance Mutual Ins.

A 70 per cent rise in new annual premiums on its ordinary branch is reported for 1978 by the Reliance Mutual Insurance Society, rising from £411,000 in 1977 to £700,000 last year. However, new sums assured more than doubled over the year from £35m to £73m. This reflects very strong growth in the sales of whole-life non-profit and convertible term assurance contracts. The company is not a member of Life Offices Association and still operates the old style method of commission.

New single premium income, almost entirely linked bond business, rose by 60 per cent from £270,000 to £436,000. Almost all the investment was made in the company's successful property fund. However, the amount of regular savings linked contracts sold remains small.

On the industrial branch, new annual premiums improved by 25 per cent from £239,000 to £290,000.

New annual premiums up by 26 per cent last year is reported by the Hearts of Oak Benefit Society from £972,000 in 1977 to £1.18m in 1978. Premiums on conventional life business rose marginally from £636,000 to £649,000 and the growth came from sales of property linked business. Here annual premiums were nearly 60 per cent higher at £527,000 against £336,000. New single premiums fell slightly from £58,000 to £57,000.

Higher rates of reversionary bonus for 1978 on all classes of with-profit business and the introduction of *terminal* bonus payments this year have been announced by the Eagle Star Insurance Group.

Under ordinary life and endowment contracts the new rate is £4.65 per cent of the sum assured and attaching bonuses compared with £4.50 per cent in 1977. The interim bonus rate for this year is maintained at this new level until further notice.

The company has also introduced a terminal bonus payable on death or maturity claims. This is intended to represent the *investment profits* earned to date on existing business. The company did not join the majority of life companies which introduced terminal bonuses in the late 1960s and early 1970s. Now it has taken the decision that this method is a means of maintaining fairness between different generations of policyholders. The present rate is 20 per cent of all attaching bonuses.

If current investment conditions continue, the declaration of a terminal bonus may well become a regular feature. The interim is that the position will be reviewed annually and the company warns that the rate may well fluctuate from year to year.

Under group pension and discretionary schemes, annual reversionary bonus pensions rate is lifted to £4.50 per cent of the basic benefit and attaching bonuses from £4.25 per cent. The final maturity bonus remains unchanged at 30 per cent of the total benefits. On the Personal Pension and Executive Pension Plans, the bonus rate is improved to £4.15 per cent compound for 1978 from £4 per cent in 1977. The interim bonus rates remain at the new levels.

The Gresham Life Assurance Society, a member of the Rothschild Group, has announced higher rates of interim bonus for UK with profits contracts applicable from April 1. On the new series policies the rate for assurances is lifted to £3.50 per cent per annum of the sum assured and attaching bonuses from £3.25 per cent. On personal pension policies the rate is £3.80 per cent per annum compound against £3.40 per cent.

On the old series contracts, which are closed to new business, the reversionary bonus rate scale is improved to £3 per cent of the sum assured up to £10 per cent from £2.85 to £7 per cent. The actual bonus rate depends on the year of issue of the contract.

Terminal bonus rates remain unchanged at 20 per cent of attaching bonuses for the new series and at 80p per cent of the sum assured for each year in force on the old series.

On the executive pension plan the illustrated benefits are now being calculated on a reversionary bonus rate of £8 per cent per annum compound.

Provident Mutual Life Assurance Association has also announced higher rates of *interim bonus on its pension* contracts. On group deferred annuities, the rate on those subject to a pre-1975 surrender guarantee is now £6.5 per cent compared with £6 per cent, while on all other group contracts it is £8.5 per cent compared with £8 per cent previously. On individual pension arrangements, executive and self-employed, the new rate is also lifted to £8.5 per cent from £8 per cent.

On retirement annuities, both group and individual, the normal annual bonus continues at £8 per cent, with an additional bonus *of £5 per cent for those who elect* to vest the whole of their benefit during 1979. On dynamic annuities, bonuses will continue to be added at the rate of 10 per cent to pensions in course of payment, thus more than keeping pace with the current rate of increase in the cost of living.

Courts advances at six months

INCLUDING a £0.36m transfer from deferred profit compared with a £0.21m transfer to account last time, pre-tax profits of Courts (Furnishers) advanced from £1.9m to £2.77m for the half year to September 30, 1978, on turnover of £22.24m against £20.3m.

The directors say although trading in the third quarter was satisfactory both in the UK and overseas, UK weather conditions in the current quarter have not been helping the important January sales figures.

UK turnover for the half year was over 20 per cent ahead of the same period last year and resulted in a good increase in trading profits.

Overseas, trading conditions generally were more difficult than in the comparative period, with turnover and profits also affected by exchange rate fluctuations.

Group half-yearly profits were after making an adjustment for exchange movements, rather than at the year-end only as previously comparisons are adjusted. No account has been taken of property disposal profits of £0.28m.

After tax of £1.32m (£0.95m) net profits rose from £0.95m to £1.45m. The interim dividend per 25p share is lifted to 1.71215p (1.5565p) net — last year's final was 1.99018p, from £4.89m taxable profit.

The seven stores purchased from Combined English Stores Group in December have now been successfully integrated with the rest of the group and these new branches are already trading very satisfactorily, the directors state.

The total number of UK branches has reached 100 and further branches will shortly be opened at Nuneaton and Burton.

● comment

With the help of a sizeable transfer from the deferred HP account, pre-tax profits at Courts are 46 per cent ahead—on group turnover a tenth better. The transfer is surprising against a background of buoyant spending. One explanation could be that the volume of cash sales by UK furniture multiples has for some time been catching up on credit transactions, and during the period was in fact marginally higher. Courts also maintain that the mini-boom caused by its *decision in December, 1975* to extend credit to 30 months is now showing through in larger repayments. A further factor has been poor trading by the main non-UK operations in the Caribbean and Australia—half the credit transfer was derived overseas. The dull outlook there was compounded by further depreciation of the Jamaican dollar, which fell by more than 40 per cent against sterling over the period. The UK side, by contrast, has prospered and the sales increase of more than one-fifth is bang in line with the sector. The current half, however, has been disappointing and with growth therefore unlikely to match the interim and the break even expected from the HP account, profits for the year could work out around £5.7m. At 113p the shares are on a fully taxed prospective p/e of 6.3 while the yield is 5.3 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—James Austin Steel, Marston, Thompson and Evershed, Scottish, English and European Textiles, Vogelstruisbult Metal.

Finals—Edinburgh American Assets Trust, Thomas French, A. Kershaw, Rank Organisation, Status Discount, Tate and Lyle, Union Discount.

FUTURE DATES

Interims—

Deejan	Jan. 30
Hambro Trust	Jan. 30
Kinta Kellas Rubber Estates	Feb. 1
Malaysia Rubber	Feb. 1
Second Alliance Trust	Feb. 2
Thames Plywood	Jan. 30
Worthington (A. J.)	Jan. 25

Finals—

Glass Glover	Jan. 30
Great Northern Telegraph	Mar. 15
Hallam, Sleigh and Cheston	Feb. 6
I.D.C.	Jan. 30
Lonsdale Universal	Feb. 1
Ratcliffe (Great Bridge)	Mar. 1

United British Securities

Net revenue of United British Securities Trust was up from £957,389 to £1,091,484 in the half-year to December 31, 1978, struck after tax of £652,172 (£586,328).

Income rose from £1.61m to £1.81m.

The net interim dividend is stepped up to 1.4p (1.25p), as already announced. Last year's total payment was 4.44p on pre-tax revenue of £3.24m.

Net assets per 25p share are stated at 171p (158p).

Trading shift at CompAir

IN ITS past trading year, CompAir made a further shift of emphasis in its overall business pattern towards the European and North American markets as well as towards the industrial sector, says *Sir William Mather*, in his first annual statement as chairman.

This was in accordance with investment strategy, states Sir William, who stresses that the group intends to maintain a vigorous presence in other territories.

A regional distribution of group sales for the 1977-78 year shows: UK 33 per cent (30 per cent), Europe 23 per cent (22 per cent), Africa 13 per cent (18 per cent). North America 13 per cent (12 per cent) and other territories 18 per cent (19 per cent).

As reported on December 14, in trading conditions which became progressively more competitive, turnover increased 13.5 per cent to £147.35m, but pre-tax profits fell from £12.22m to £11.32m for the year ended *October 31, 1978.*

Profits were affected by the strengthening of sterling, which effectively reduced overseas earnings, and serious recessions in France and Nigeria.

Inflation adjusted accounts show pre-tax profit reduced to £7.3m, after adjustments of £1.3m for depreciation, £4.3m for cost of sales, less £1.6m gearing.

The chairman reports that demand for the group's industrial products remains strong and market conditions, while very competitive, offer some scope for progress. Construction equipment continues to be affected by low levels of world demand.

During the year, the group re-organised its Brazilian operations, following which, the future of CompAir equipment there looks even more promising, says Sir William.

Many uncertainties cloud immediate prospects in Iran, but the demand for group equipment is related to a wide spread of projects of an essentially practical nature, he adds.

The chairman therefore anticipates that there will be a continuing requirement for such products given conditions of reasonable political and commercial stability.

Meeting, Institute of Marine Engineers, EC, February 14, noon.

K Shoes chief warns on leather prices

A satisfactory start to the new year has been made by K Shoe Shops, says Mr. Spencer Crookenden, chairman of K Shoes, in his annual review, and the manufacturing company has begun in a better state than 12 months ago.

There has been a good clearance of autumn shoes and boots, a good response from retailers to the spring ranges, and tighter control over quality and stocks.

He says the company is concerned by the way leather prices have risen, and he warns that these increases could well continue through 1979, lifting retail prices of leather shoes and boots by between £2 and £5 a pair.

Imports remain a threat.

As reported on December 9, pre-tax profits rose by 89 per cent to a record £3.95m for the year to September 30, 1978, on turnover 23 per cent higher at £53.02m.

Board change at Westland

THE RETIREMENT of Mr. Walter Oppenheimer as vice-chairman and as an executive director of Westland Aircraft leaves the group with the job of finding a new finance director—a post Mr. Oppenheimer has unofficially filled for the past three years.

Mr. Basil Blackwell, Westland's chief executive, said yesterday that although Mr. Oppenheimer had three years ago resigned as finance director, he had continued to carry out many of the duties of that post. No suecesor had as yet been appointed.

"Mr. Oppenheimer has been gradually relinquishing some of these duties to other men around him, but we do intend eventually to appoint a new finance director—at the right opportunity," said Mr. Blackwell.

Mr. Oppenheimer, who is to remain a non-executive director of Westland, has been with the group for 26 years—most of them as a main board director.

The latest projection indicates that Westland's joint Arab venture in Egypt will achieve reasonable profitability after 1982. Until production is under way, however, there will be significant expenses which cannot properly or prudently be carried forward as work in progress, Lord Aldington, the chairman, warns.

The directors have been advised, however, that if this associate company's losses are within the area between the nominal value of the group's holding in it—eventually to reach U.S.$9m—and the value in its books, it need not debit its profit and loss account, Lord Aldington states.

At home the current year may be a lean time for hovercraft orders. Even so the Super 4, made by the group's subsidiary, British Hovercraft Corporation, is proving itself in the Channel to be better than expected in speed and comfort and the company is in a good position to win further orders in due course for cross channel and similar work. Plans exist for larger production facilities at Cowes.

It was after losses and provision for loss on the Super 4 hovercraft and Lynx helicopters, totalling £16.16m (£6.54m), that Westland fell from a £5.84m pre-tax surplus into a £2.86m loss for the year to September 30, 1978—as reported January 11.

On a current cost basis along the Hyde Guidelines the loss would be increased to £8.76m by additional depreciation of £1.8m and £5.8 mextra cost of sales less a £1.7m gearing adjustment.

Sales last year were up at £166.6m (£138.9m) and the net dividend is cut to 1p (3.18378p). Net liquidity at year end was up £26.55m (down £9.26m) with net borrowings were cut to £9.64m (£36.74m).

A good profit record is expected in the years ahead from the group's environmental control and allied products activities but it will be some time before its other operations, now grouped under the heading Westland Technologies, is likely to take a few years before they make a significant effect on results.

It was in March last year that Westland and Rolls-Royce announced that they had signed a major helicopter deal with the Arab Organisation for Industrialisation in Cairo and a joint company called Arab British Helicopter Company was set up with £17m capital.

Westland's agreements provides that when all the share in the new Egyptian company have been issued it will hold 30 per cent with a nominal value of US$9m. To date the thirds of the shares have been issued and the Arab partners in the venture have paid their 70 per cent in cash.

Lord Aldington explains that no remittance of cash has been made, but the shares allotted to Westland have been allotted as fully paid in consideration of the Lynx licence. Shares allotted to Westland over the next 18 months will be similarly taken in return for launching assistance.

Credit for the U.S.$6m notionally agreed as the licence fee, will be taken by Westland in later years. Meanwhile the British manufacture has agreed to pay £733,000 to its partners in the Lynx development, the Ministry of Defence and Aerospatiale.

In the circumstances investments, shown in the 1977/78 year-end balance sheet at £1.4m, include only a nominal £1,000 in respect of the Arab venture, the chairman states.

Substantially higher progress payments left work in progress at the end of 1977/78 down from £65.5m to £56.37m. Capital commitments amount to £2.12m (£1.83m) with 0.48m (£0.68m) authorised but not contracted.

Meeting, Hyde Park Hotel, SW, on February 14 at noon.

Kakuzi well down at nine months

Pre-tax profits of Kakuzi, coffee, tea and sisal grower, plantation owner and farmer, were down from K£1.66 to K£51,069 in the nine months to November 30, 1978. Turnover fell from K£3.92m to K£2.43.

The interim dividend is 40 K cents (60 K cents including special dividend of 20 K cents). The company expects the final to be no less than 60 K cents—last year's final was 100 K cents including special dividend of 40 K cents.

After tax of K£332,350 (K£680,300) and minorities of K£48,925 (K£27,986), attributable profit stood at K£469,794 against K£951,959.

Liden shares slump as accounts are delayed

NEWS that the annual results of Liden Holdings are to be delayed for a month wiped almost a quarter off the group's stock market capitalisation yesterday.

This is the second time that results from Liden have either been postponed or delayed. The group—a whitewood furniture manufacturers and timber importers—was given Stock Exchange permission at the end of last year to forgo publication of interim results. At that time Liden said that its year end results would be ready for release by January 23, 1979.

Mr. Norman Clothier, Liden's chairman, said that the latest problem with the accounts had been caused by a combination of ill-health of senior executives and recent disruption to the group's business through bad weather and industrial action by tanker and lorry drivers.

Mr. Clothier, who has a 29.5 per cent stake in the group, said that Liden's preliminary annual results would now be due for publication on February 23.

He said that it would have been meaningless to have published interim figures in which there were some obvious flaws.

Liden's shares fell 3½p to 8p yesterday on news that annual figures have been delayed.

Progress for Ldn. American International

With turnover higher at £258.59m, against £239.22m, pre-tax profits of London American International Corporation, a subsidiary of Midland Bank, progressed from £2.19m to £2.28m for the year ended September 30, 1978.

The directors say although uncertainty has become a permanent feature in international trade and money markets, the company has achieved remarkable growth over the past five years and 1978-79 is faced with quiet confidence.

Tax takes 0.8m (£0.92m) and after exchange debits of £64,000 (£0.27m) and ordinary dividends costing £0.36m (£0.3m), retained profits emerged ahead at £1.05m compared with £0.69m.

● CHANGES TO CLEARING BANK ACCOUNTS

The Big Four drop "Leach-Lawson"

BY MICHAEL LAFFERTY

THE London clearing banks' announcement of changes in their accounting and disclosure policies mark the most significant development in UK bank accounting since 1970. Not only are the clearers to abandon the unique "Leach-Lawson" rules which were developed specially for them at the end of the sixties, but they will also be revealing bad and doubtful provisions and charges. The new accounting policies will be implemented in this year's batch of annual reports.

The starting point in the recent history of UK bank accounting policies is probably the Companies Act 1948 which entitles banks, as well as insurance and shipping companies, to certain exemptions from the disclosures applicable to all other companies. The principal exemptions enjoyed by the banks absolved them from the obligation to disclosure certain details of reserves, assets, liabilities, income and expenditure, and amounts set aside to or withdrawn from provisions and reserves. This situation prevailed until the National Board of Prices and Incomes reported in 1967 that "the Government should aim at ensuring complete disclosure of profits and reserves as soon as practicable."

The London and Scottish clearing banks responded in 1969 by agreeing to forego a majority of the previous exemptions. However, as the recent Price Commission report on bank charges stated, bank disclosure remained incomplete, because the banks did not agree to reveal provisions for bad and doubtful debts.

Here the story is complicated by the clearers decision in the late 1960s to call in two distinguished chartered accountants, Sir Ronald Leach and Sir William Lawson, to work out special accounting rules for the treatment of bad debts and gains and losses on investment. The object of what became known as the "Leach-Lawson" rules was to ensure a certain degree of uniformity in the approaches adopted by each bank to the treatment of these items in subsequent accounts.

The thinking behind the accounting methods proposed in both areas was to smooth bank profits. In the case of bad debts the practice has been to make an undisclosed charge against profits each year, based on the average experience of bad debts in the current and four preceeding years. If the resulting provision was inadequate or excessive to a material extent the profit and loss account was charged or credited, and the amount disclosed separately. This averaging approach is now to be dropped, so that clearing bank accounts will in future reveal actual bad debts written off and provided for each year, as well as the aggregate balance sheet provisions against advances.

The "Leach-Lawson" rules for bad debts, as well as the absence of disclosure in this area, came under renewed attack from the Price Commission last year.

The Price Commission noted that in the U.S. banks normally disclose all provisions. It doubted whether bank customers understood the Leach-Lawson rules and alleged that their very existence "contributes to the air of magesterial authority with which the banks conduct business with their smaller customers."

But the Price Commission apart, it is probably fair to say that the clearers themselves were by last year becoming increasingly aware of the shortcomings of Leach-Lawson and the associated matter of non-disclosure of bad debt provisions and charges. Following the Price Commission report a top-level committee of bankers and finance directors was established to look into the whole area of bank accounting and disclosure. Monday's policy statement is the outcome of that study.

According to one person closely involved in the study, when the clearers compared notes they found significant differences in the detailed accounting rules followed by each. The disparity was so great in some cases that it is said to have been quite impossible to compare the banks' figures with each other. One of the main reasons for this is referred to mysteriously as "suspended interest." Quite simply it concerns the accounting treatment of interest on debts considered bad. At one extreme it is said that one bank took such interest into annual profits, while another only took credit for the interest when debts eventually proved good.

Though bad debt accounting and disclosure is very much the more interesting area of the new bank accounting policies, the changes are unlikely to have much impact on reported bank profits. Not so, however, with the other aspect of Leach-Lawson which is now being dropped—averaging of investment gains and losses. According to Keith Brown, a bank analyst at stockbrokers Greenwell and Company, "this change has the potential for causing most volatility in bank profits from now on." For example in its 1977 accounts Barclays Bank reported a group profit on investments of £25m: yet the profit and loss account showed a loss of £2.6m.

The final feature of the new bank accounting policies concerns deferred tax. In future the clearers, like most other industrial companies, will only make provision for the taxes actually expected to become payable in the forseeable future. This will result in the write-back into shareholders' funds of substantial amounts. For example, the 1977 accounts of Midland Bank showed deferred tax of £140m, while National Westminster had a provision of £192m. If all these amounts are now included in capital the effect on each bank's free equity ratio would be dramatic. According to Greenwell estimates Midland's free equity ratio (after adjusting for the recent Bland Payne deal) would go up from 2.2 to 3.4, while National Westminster's ratio would go up from 1.5 to 2.6.

Dunlop SA up on 19% rise in sales

Against a background of an 18 per cent rise in national motor vehicles sales, Dunlop South Africa lifted its own sales 18.8 per cent from R89m (£52m) to R106m (£61m) in 1978. Profit improved from R7.81m (£4.5m) to R11.76m (£6.78m) before tax of R3.67m (£2.12m), compared with R2.77m (£1.6m).

Tyre sales to the motor industry accounted for 59 per cent of turnover, against some 55 per cent seen in the mid-70s. Elsewhere the company's sales were under pressure.

Despite real growth in the mining industry demand for rubber conveyors continued to decline while sports goods were affected by imports, especially in the latter part of the year.

The directors are cautious on near term prospects. Attributable profit is expected to be held at least at the 1978 level of R5.09m (£4.86m), compared with R5.04m (£2.9m) in th eprevious year, and the dividend at 26 cents (17 cents).

However the improvement is expected to be marginal without help from the economy. In addition the group's overall effective tax rate will rise as an increasing number of subsidiaries become taxable, they add.

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Downturn at David Smith

ANNOUNCING A fall in pre-tax profits from £672,000 to £429,000 in the six months to October 31, 1978, Mr. A. S. Smith, chairman of David S. Smith (Holdings), says that an unofficial strike for more than four weeks resulted not only in a loss of production but also in a substantial loss of business.

The effect has carried over to the early part of the current period, he adds, but the order book is now back to its "traditional level."

He says the effect of the road haulage strike could be severe. The company is already affected by a disruption to supplies of materials and the inability of some customers to accept deliveries.

The duration of the strike will determine the seriousness of the effect, and under the circumstances, he adds, it would be imprudent to attempt to forecast the results for the year.

After tax of £223,000 (£349,000), earnings per 20p share are shown down from 6p to 3.8p. The net interim dividend is raised from 1.25p to 2p. Last year's total payment was 2.662p on pre-tax profits of £1.31m.

Turnover in the six-month period fell from £3.73m to £2.89m.

Pre-tax profits were struck after depreciation of £47,000 (£44,000) and interest received of £100,000 (£66,000).

The company has interest in photo-litho printing and carton manufacturing.

Sales increase for Elson & Robbins

In the first quarter of the current year, turnover of Elson and Robbins was up from £4.9m to £5.05m and production at its main subsidiary, Domestic Industrial Pressings, was now running at record levels, Mr. E. R. Keeling, the chairman, told the annual meeting.

For the year ended September 30, 1978, turnover increased £3m to £15.84m and pre-tax profits were a record £1.8m (£1.74m).

Greenall Whitley looking for faster profit growth

THE DIRECTORS of Greenall Whitley and Company, brewer and distiller, are looking for a faster growth of profits from its enlarged business, following the merger last June with James Shipstone, says Mr. Christopher Hatton, the chairman, in his annual statement.

Current year sales are reasonably good, but the chairman says the group will be approaching the Price Commission soon with an application for a price increase in order to recover rising costs.

Costs are dijcult to contain, he states, but the directors are certain that their policy of continuous improvement and extension of outlets, although expensive, is the right one.

As reported December 15, pre-tax profits rose 13.4 per cent to a record £11.54m for the 52 weeks to end September, 1978, on turnover of £130.63m (£107.01m for 53 weeks). Results included one quarter's trading of Shipstone.

On a C.C.A. basis, pre-tax profit is cut to an adjusted £9.48m.

The chairman describes the Shipstone acquisition as extremely significant to the growth of the group, taking it out of its traditional north-west trading area and providing the opportunity for further UK growth.

Shipstone's Star Brewery, which supplies 275 public houses and 109 off-licences and free trade customers in and around Nottingham, will continue to be run as a separate entity within the group.

The group has already made certain management changes at Star and anticipates increasing trade substantially within the next two years through rationalisation and improvement of public houses following a complete market appraisal.

Meeting, Daresbury, February 15, noon.

Receiver for A. Long

Mr. B. H. Larkins has been appointed receiver and manager to A. Long and Co., the Wembley-based constructional equipment engineers.

At present, trading is continuing with a view to a sale of assets on a going-concern basis, Mr. Larkins says.

The position regarding orders placed by the company prior to his appointment is still being considered. However, he undertakes to pay for any goods and services supplied pursuant to orders signed by him or his representatives.

He reports a number of approaches from interested purchasers on a going-concern basis.

W. Williams outlook

In his interim statement, Mr. H. H. Williams, the chairman of W. Williams and Sons (Holdings) explains that the severe action taken to offset the effects of strikes in the motor industry, together with consequent redundancy payments, is bound to hit profits in the short-term.

However, some of the costs associated with the transfer of production of gravity castings from the group's largest aluminium foundry to its other specialised plant, have been incorporated into first half results, he says.

In addition some other aspects of production between these two foundries were rationalised, and the chairman feels confident that each unit can now concentrate and specialise in their own methods for the general benefit of the group. This is already becoming apparent, he adds.

As already reported, full year profits are expected to be similar to the previous year's £216,000 pre-tax.

ISSUE NEWS

Quotation for Central Assets

Application has been granted by the Stock Exchange for a quotation by Central Assets, an off-shore fund specialising in short-term sterling money market investments.

On January 15, 1979, the net assets of the company were £17.87m. Capital shares numbering 127,403 have been issued.

The managers state that annual dividends are not expected to produce a yield of more than 0.25 per cent per annum but much the greater part of the total return to the investor will result from the appreciation in value of the shares.

The fund issues capital shares with a par value of 1p. Resembling units in a unit trust, they may be issued or redeemed at their asset value.

LOCAL AUTHORITY BOND RATE 12½%

The interest rate on this week's issue of local authority loans jumped to 12½ per cent, its highest level for two years. The rate last week was 12 per cent.

The bonds, issued at par, mature on January 30, 1980. The issues are: Newport Borough Council (£1m), The Receiver for the Metropolitan Police District (£500,000), Bromsgrove District Council (£500,000), Wigtown District Council (£500,000), Stroud District Council (£500,000), Wansbeck District Council (£150,000), London Borough of Havering (£1m), Wellingborough District Council (£250,000), North Wiltshire District Council (£750,000), Borough of High Peak (£500,000), Sefton Metropolitan Borough Council (£500,000), Tendring District Council (£500,000), Crawley Borough Council (£500,000), London Borough of Hammersmith (£1m), London Borough of Hillingdon (£500,000), Borough of Scarborough (£500,000), London Borough of Sutton (£500,000).

The Borough of Scarborough is issuing £500,000 worth of bonds, maturing on January 28, 1981, at an interest rate of 12¾ per cent.

BIDS AND DEALS

Epicure property sales

Epicure Holdings has sold The Queen Hotel, Lincoln to Associated Newspapers' subsidiary, Associated Restaurants for £230,000 cash.

Mr. R. J. Brealey, Epicure's chairman, said yesterday that he had the choice of carying out a major refurbishment of the 19-bedroom hotel to bring it up to the standard of The White Hart, the group's 4-star hotel in Lincoln, or accepting Associated's offer.

As the hotel which was bought for £80,000 in August 1977, stands in Epicure's books on a June 1978 valuation of £99,500 and recorded an £18,855 pre-tax loss last year, Mr. Brealey preferred Associated's offer.

The hotel sale follows last week's £150,000 sale of Epicure's Gate Burton Hall estate near Gainsborough, Lincolnshire. The freehold mansion, with 80 acres of park and farmland, was valued at £83,588 last June. It was sold to Broadlands Properties for £150,000 cash. Proceeds of both sales will be used to reduce Epicure's bank borrowings.

LEAD INDUSTRIES

Following the Lead Industries Group announcement on December 22, 1978, about the proposed acquisition of the Oster Group of Companies in Rhode Island U.S.A., the necessary consents have been obtained and all other conditions satisfied; the acquisition has now been completed.

BROWN SHIPLEY

Brown, Shipley and Company has formed a wholly owned subsidiary, Brown Shipley Factors, which has commenced business as recourse factors operating from Harlands House, Haywards Heath. Michael E. Mills has been appointed managing director.

SHARE STAKES

Fine Art Developments — D. T. Barnes, director, and G. B. Barnes, director, have each sold 120,000 shares.

Bernard Wardle—Birmingham and Midland Counties Trust has bought a further 487,600 shares, making holding 3,835,600 (21.4 per cent).

Streeters of Godalming—W. and J. Glossop on January 16 had a beneficial interest in 319,000 ordinary shares (5 per cent).

North British Steel Group (Holdings)—D. A. Y. Menzies holds in his own name or is beneficially interested in 396,732 shares (7.8 per cent).

F and C Eurotrust—Beehopcon Nominees has acquired 650,000 shares (8.66 per cent).

Antofagasta (Chili) and Bolivia Railway Company—Delete Trust Company as at December 31, 1978, was beneficially interested in 1,542,500 consolidated ordinary stock and 328,000 preference stock.

Monument Securities:—Mr. J. Morrison, director, disposed of 25,000 shares on January 18.

East Lancashire Paper Group—Greenbrook Securities has bought further 65,000 shares making total holding 525,000 (9.63 per cent).

Claverhouse Investment Trust—Scottish Amicable Life Assurance Society and a subsidiary have reduced their holdings by 225,000 shares to 652,000.

Parker Timber Group—C. R. Busby sold 10,000 shares on December 11 40,000 on December 13 and 50,000 on January 12 and no longer holds 5 per cent.

Thomas Jourdan—On January 17 Mr. D. J. S. Corby, director, sold 100,376 ordinary shares.

Gnome Photographic Products—Central Manufacturing and Trading sold 160,805 ordinary shares (their entire holding) on January 17.

Wearwell—Company reports following transactions by members of the Board. Mr. Kashif sold 10,000 shares. Mr. R. J. Strong sold 45,500 from his non-beneficial holding. Mr. F. Nevzat sold 4,290 shares. Mr. I. Nadir sold 20,000 shares. Mr. A. Nadir purchased 25,000 shares and Mr. A. J. Doshi purchased 10,000 shares.

MINING NEWS

Australia's MIM has a good half-year

BY KENNETH MARSTON, MINING EDITOR

GOOD half-year results come from Australia's leading producer of base metals, MIM Holdings. Net profits for the 24 weeks to December 17 amount to A$26.2m (£14.9m) and the interim dividend is raised to 4.5 cents (2.6p) from 3 cents a year ago; the final for the year to last June was 6 cents.

The net profit for the same period of 1977 was A$27.09m, but this included an extraordinary profit of A$7.01m arising from the sale of the company's stake in Theiss Holdings. MIM says that its latest earnings have reflected increased prices received for copper, lead and silver together with higher sales of zinc and silver.

Furthermore, the company points to the continued rise in prices of copper, lead and silver and says that if these levels are maintained, results for the rest of the year will be "significantly" better than those for the first half. MIM shares improved 3p to 246p in London yesterday.

China–Sweden co-operation

THE Chinese vice-premier Geng Biao told a Swedish metallurgy delegation in Peking yesterday that China hopes for long-term cooperation with Sweden in developing mining, China's official Hsinhua news agency reported.

"China not only has iron ore reserves but also rich reserves of non-ferrous metals." Geng told the group of leading members of Swedish mining industry companies. He also expressed hopes for "extensive economic and technical cooperation with Sweden."

Bengt Odhner, an ambassador of the Swedish Foreign Ministry, told Geng that the Swedish executives, touring Chinese mines, witnessed China's strides in developing industry. The Swedish delegation arrived in China on January 11.

BOUGAINVILLE'S 1978 OUTPUT

Final quarter 1978 production figures from the Rio Tinto-Zinc group's big Bougainville open-pit mine in Papua New Guinea confirm the half-time promise of a better year.

The total of ore milled for 1978 is brought to 38.1m dry tonnes from 34.1m tonnes in 1977. Despite slightly lower ore grades, copper production rose to 198,603 tonnes from 182,291 tonnes in 1977, gold 23,367 kg (22,374 kg) and silver 52,525 kg (47,430 kg).

Production during the second half fell slightly short of that of the record first six months and there was little change in the price of copper. But the rise in the gold price during the 1978 second half may have kept profits on the rising path. The current year's interim has been raised to five toea (3.6p) from four toea; the final is due next month.

'Freddies' marks time

ONE OF South Africa's smaller mining finance houses, Free State Development and Investment ("Freddies"), announces a rather disappointing net profit for the six months to December 31 of R322,000 (£184,000) compared with R392,000 in the same period of the previous year and a total of R871,000 for the full year to last June.

The net asset value at December 31, however, had risen to 310 cents (177p) per share from 260 cents at end-1977. "Freddies" shares were 100p in London yesterday. As already announced, the current year's interim dividend has been raised to 5 cents from 4 cents; the 1977-78 final was 8 cents.

The company purchased 10,000 shares in Winkelhaak and a further 4,000 shares in Roiberg Minerals during the past half-year. Although investment income and share realisation profits do not accrue evenly throughout the financial year, the current strength of the gold and platinum prices points to an improvement in second half earnings of "Freddies."

Noranda's plans for Koongarra uranium

A COMPLETE revision of the plans for mining the Koongarra uranium deposit in Australia's Northern Territory has been made by Noranda Australia in an attempt to gain approval for development from the Australian Government, reports James Forth from Sydney.

The changes are designed to overcome objections to Koongarra contained in the Fox report on uranium, released in 1977.

The report recommended that the deposit should not be developed, "at least for the time being." Koongarra is in the Nourlangie Creek catchment, upstream from the highly-regarded Woolwonga wildlife sanctuary.

Noranda's original proposal was for an acid tailings dam, but the Fox inquiry was concerned that this could result in seepage into the Nourlangie creek and would drain into the wetlands of the Woolwonga reserve, threatening the wildlife.

Noranda now plans a "no release" water management system. The tailings dam has been expanded to include two evaporation ponds and a ground-pumping mechanism which will remove much of the excess water before it reaches the tailings dam. Noranda estimated it would require three heavy wet seasons (predicted to occur once every 1,000 years) for seepage into the system to exceed capacity.

The details of Noranda's proposals are contained in its draft environmental impact statement, released yesterday. The report gives the first public indications of the reserves at Koongarra and the intended size of the mining operation.

Koongarra contains ore reserves of 4.3m tonnes averaging 0.3 per cent uranium oxide (6.6 lbs to the tonne). The total contained uranium oxide is about 13,000 tonnes.

Noranda proposes to mine 12.3m tonnes of ore to produce 1,000 tonnes of uranium oxide a year, over a 12-year period. The project would cost about A$70m (£40m).

The study reveals that Koongarra is smaller than most estimates: the only smaller deposit is the Nabarlek deposit of Queensland Mines, which has about 9,500 tonnes of uranium oxide, but with a much higher grade.

Queensland Mines is also aiming for an annual production of 1,000 tonnes and a planned initial yearly production of 3,000 tonnes. Pancontinental has reserves of 207,400 tonnes of uranium oxide and is aiming for a yearly production of 4,500 to 9,000 tonnes.

Western Mining hits more ore at Olympic Dam

AUSTRALIA'S Western Mining Corporation is continuing to find encouraging mineralisation at its big Olympic Dam copper-uranium prospect at Roxby Downs in South Australia. The results of two further drill holes are contained in the latest quarterly report.

One hole intersected 53 metres assaying 1.3 per cent copper and 0.94 lbs uranium to the tonne and the other 30 metres at 1 per cent copper and 0.51 lbs to the tonne uranium. These results, however, are well below the best of those previously reported.

Roxby Downs is shaping up as a major deposit and WMC is talking to several large groups interested in joining in any future development. The latest drill results come amid the news that the South Australian premier, Mr. Don Dunstan, is considering abandoning the State Labour Government's opposition to uranium mining.

Adding piquancy, Adelaide sharebroker Mr. Norman Shierlaw, the former director of Poseidon, has taken out newspaper advertisements in Adelaide which describe Roxby Downs as the key to South Australia's future.

Mr. Shierlaw estimates that the deposit has possible reserves of 11.25m tonnes of contained copper and 562,500 tonnes of uranium oxide, which would make it larger than the entire combined reserves of the copper and uranium deposits in the country.

The estimates, however, assume that the ore intersected to date is continuous throughout the apparent dimensions of the orebody outlined to date, and much more work will be needed before this can be checked.

Drilling at WMC's promising base-metal find near Benambra in Northern Victoria—now called the Wilga prospect—has intersected 37 metres at 1.5 per cent copper, 0.8 per cent lead, 9.6 per cent zinc and 45 grams of silver a tonne.

NEW HOLDINGS IN ASHTON

Australian Government approvals have now been received for the sale by Sibeka of its 7 per cent stake in the Ashton diamond exploration venture which is headed by Conzinc Riotinto of Australia.

The holding has been sold for A$5.04m (£2.87m) on a pro rata basis, to four of the other five joint ventures. The Ashton holdings will thus become: CRA 56.8 per cent (previously 52.6 per cent), Ashton Mining 24.2 per cent (22.4 per cent), AO (Australia) 4.9 per cent (4.5 per cent), Tanaust 9.1 per cent (8.4) and Northern Mining 5 per cent (same).

FREE STATE DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

UNAUDITED RESULTS OF THE COMPANY FOR THE HALF-YEAR ENDED 31 DECEMBER 1978

	6 months ended December 1978 R'000s	6 months ended December 1977 R'000s	Year ended June 1978 R'000s
Net revenue excluding profit or loss on realisation of investments	287	229	584
Profit on realisation of investments	35	163	308
Profit before taxation	322	392	892
Taxation	—	—	21
Profit after taxation	322	392	871
Dividends for previous year	—	—	435
Net asset value per share	310c	260c	247c

INVESTMENT PORTFOLIO:

During the six months ended 31 December 1978 the Company purchased 10 000 ordinary shares in Winkelhaak Mines Limited and acquired an additional block of 4 000 ordinary shares in Rooiberg Minerals Development Company Limited.

The arrangements for the switching of the holding of ordinary shares in Rustenburg Platinum Holdings Limited into the deferred shares referred to in the Directors' Report for the half-year ended 30 June 1978 were completed during the half-year.

NOTES:

1. An interim dividend (No. 13) of 5c per share (January 1978—4c) was declared on 23 January 1979.
2. The net asset value for the half-year is calculated before payment of the interim dividend.
3. No provision for possible losses on future realisations of investments is included in the figures as this adjustment is made, if necessary, at the year-end.
4. The Company is not liable for tax at the present time and therefore no provision has been made for taxation.
5. It should not be assumed that the results for the first six months of the financial year will be repeated in the remaining six months of the year for the reasons that:
   (a) income from investments does not accrue evenly throughout the year;
   (b) the realisation of investments fluctuates in accordance with policy decisions and market conditions.

Head Office and Registered Office: Consolidated Building, Corner Fox and Harrison Streets, Johannesburg 2001. (P.O. Box 590, Johannesburg, 2000).

On behalf of the Board
B. J. JACKSON
R. T. SWEMMER
Directors

DIVIDEND NO. 13

An interim dividend (No. 13) of 5 cents per share in the currency of the Republic of South Africa has been declared in respect of the year ending 30 June 1979 (1978 interim—4c per share).

The dividend is payable to members registered in the books of the company at the close of business on 9 February 1979, and is declared subject to conditions which can be inspected at or obtained from the company's Johannesburg Office, or the office of the London Secretaries (Barnato Brothers Limited, 99, Bishopsgate, London EC2M 3XE).

Subject to the said conditions, payments by the London Secretaries will be made in United Kingdom currency at the rate of exchange quoted by the company's bankers on 5 March 1979; provided that in the event of the company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic shall be converted at the rate of exchange quoted by the company's bankers on the next succeeding day on which such a rate is quoted.

Dividend warrants will be posted from either the Johannesburg office or the office of the London Secretaries, as appropriate, on 16 March 1979.

South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted from the dividend where applicable.

The Share Transfer Books and Register of Members will be closed from 10 February 1979 to 17 February 1979 both days inclusive.

By Order of the Board.
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED.
Secretaries,
per D. A. FREEMANTLE

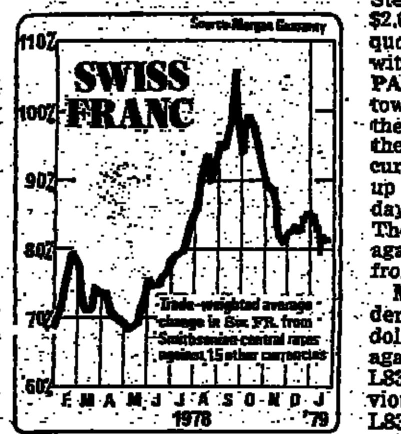
Head Office and Registered Office:
Consolidated Building,
Corner Fox and Harrison Streets,
(P.O. Box 590),
JOHANNESBURG.
23 January 1979.

CURRENCIES, MONEY and GOLD

Pound steady in subdued trading

Trading in yesterday's foreign exchange market did not escape the effects of a national train strike and severe weather conditions. Consequently activity remained at a low level, with little in the way of fresh news to affect conditions.

Sterling maintained its overnight levels and its performance was reflected in the Bank of England's index, which stayed unchanged at 63.2 for all three of the day's calculations. There did not appear to be any official intervention, and the pound remained buoyant on continued demand. Against the dollar it opened at $1.9975 and briefly touched $2.0005 before easing back to $1.9975, where most of the day's business took place. The dollar showed a firmer



tendency during the afternoon and sterling slipped to $1.9940, but then recovered to close at $1.9955-1.9965, a loss of just 25 points.

The dollar traded steadily for most of the day but improved noticeably in late afternoon, before finishing a little way below its best, but still up from Monday. Against the D-mark it closed at DM 1.8500 compared with DM 1.8440 and also improved against the Swiss franc to SwFr 1.6790 from SwFr 1.6780. Using Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation narrowed to 8.9 per cent from 9.0 per cent.

FRANKFURT—The dollar was fixed at DM 1.8443 at yesterday's fixing, slightly up from Monday's level of DM 1.8410, and there was no intervention at this time by the Bundesbank. In rather quiet trading the U.S. unit's fixing level represented the middle level of the morning's trading, and it touched DM 1.8468 on early demand before easing back ahead of President Carter's speech later in the day. In later trading it touched DM 1.8505 before finishing at DM 1.8500.

NEW YORK—Conditions were generally inactive ahead of President Carter's economic statement to Congress on Thursday, and the dollar edged slightly firmer. About mid-morning it stood at DM 1.8492 up from DM 1.8432 late on Monday. Sterling eased to $1.9950 from $2.0030 and the Swiss franc was quoted at SwFr 1.6775 compared with SwFr 1.6740.

PARIS — Trading picked up towards the end of the day and the dollar gained ground over the franc and other European currencies. It closed at Fr.2460, up from Fr 4.2412½ earlier in the day and Fr 4.2337½ on Monday. The D-mark eased slightly against the franc to Fr 2.2930 from Fr 2.2965 previously.

MILAN—In reaction to President Carter's tight budget, the dollar moved slightly firmer against the lira and was fixed at L834.95 against L834.45 previously. However it had touched L835.5 earlier in the day. Against major European currencies the lira showed a small improvement with the D-mark easing to L452.65 from L453.19 on Monday. The total amount of dollars traded came to around $14m, and there was no intervention by the Bank of Italy.

AMSTERDAM — The dollar was fixed at Fl1.905 yesterday, up from Monday's level of Fl1.9865. In later trading the U.S. currency improved further to Fl1.9955.

TOKYO—The dollar closed weaker against the yen at Y197.55 compared with Y198.05 at Monday's close. The U.S. unit opened at Y197.70 and had improved slightly by noon to Y197.95.

THE POUND SPOT

Jan. 23	Bank rate %	Day's Spread	Close
U.S. $	9½	1.9940-2.0005	1.9955-1.9965
Canadian $	11¼	2.3650-2.3720	2.3680-2.3700
Guilder	6½	3.98¼-3.99¼	3.98-3.99
Belgian F	6	58.05-58.30	58.15-58.25
Danish K	9	10.21-10.24	10.22½-10.23½
D mark	3	3.67½-3.70½	3.69-3.70
Port. Esc.	18	93.00-93.60	93.10-93.50
Span. Pes.	8	139.00-139.20	139.00-139.10
Lira	10½	1,662-1,668	1,665-1,667
Nrwgn. K.	7	10.12-10.15	10.13½-10.14½
French Fr.	9½	8.45½-8.48½	8.46½-8.47½
Swedish Kr	6½	8.68-8.72	8.70½-8.71½
Yen	3½	392-402	394½-396½
Austria Sch	4½	26.95-27.05	27.00-27.05
Swiss Fr.	1	3.34-3.36½	3.34½-3.35½

Belgium rate is for convertible francs. Financial franc 59.55-59.65.

FORWARD AGAINST £

	One month	% p.a.	Three months	% p.a.
U.S. $	0.45-0.35c pm	2.40	1.25-1.15c pm	2.40
Canadian $	0.45-0.35c pm	2.03	1.40-1.30c pm	2.28
Guilder	2-1c pm	4.52	5¾-4¾ c pm	5.27
Belgian F	30-20 c pm	5.15	80-70 c pm	5.15
Danish K	½ ore pm-1½ dis	−0.59	par-2 ore dis	−0.39
D mark	3½-2½ pf pm	9.74	9¼-8½ pf pm	9.34
Port. Esc.	50-100 c dis	−9.65	75-255 c dis	−6.66
Span. Pes.	5-75 c dis	−3.45	80-180 c dis	−3.16
Lira	par-2 lire dis	−0.72	1½ lire pm-½ dis	0.12
Nrwgn. K.	8-6 ore pm	8.28	14½-12½ ore pm	5.42
French Fr.	4-3 c pm	4.96	10½-9½ c pm	4.84
Swedish Kr	4-2 ore pm	4.13	11½-9½ ore pm	4.82
Yen	4.35-3.30y pm	12.52	11.50-11.00 y pm	11.38
Austria Sch	22-12 gro pm	7.55	52-42 gro pm	6.96
Swiss Fr.	4¼-3¼ c pm	15.42	11½-10½ c pm	13.12

Six-month forward dollar 2.30-2.25c pm, 12-month 3.95-3.85c pm.

THE DOLLAR SPOT AND FORWARD

Jan. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canada†	0.8422-0.8428	0.8422-0.8425	0.02-par c dis	−0.13	0.01c dis-0.02c pm	0.07
Nethlnd.	1.9895-1.9970	1.9955-1.9970	0.57-0.46c pm	2.57	1.74-1.69c pm	3.31
Belgium	29.090-29.170	29.150-29.170	7-5½c pm	2.45	20-18c pm	2.65
Denmark	5.1170-5.1255	5.1225-5.1255	0.75-1.25ore dis	−2.20	2.60-3.10ore dis	−2.34
W. Ger.	1.8435-1.8500	1.8435-1.8500	1.17-1.12pf pm	6.74	3.33-3.28pf pm	6.97
Portugal	46.65-46.75	46.65-46.75	28-38c dis	−8.45	50-115c dis	−7.05
Spain	69.63-69.76	69.64-69.69	10-25c dis	−2.83	65-85c dis	−4.31
Italy	834.80-835.50	835.10-835.50	1.40-1.80lire dis	−2.90	3.70-4.30lire dis	−2.25
Norway	5.0710-5.0840	5.0810-5.0840	2.70-2.30ore pm	4.21	4.65-4.25ore pm	2.84
France	4.2380-4.2460	4.2440-4.2460	1.20-1.00c pm	2.77	3.05-2.85c pm	2.76
Sweden	4.3465-4.3670	4.3640-4.3670	0.95-0.75ore pm	2.46	2.90-2.70c pm	2.76
Japan	197.50-198.00	197.85-198.00	1.75-1.60y pm	9.54	4.55-4.40y pm	9.06
Austria	13.500-13.550	13.540-13.560	6.75-5.75gro pm	5.32	17.75-15.00gro pm	4.84
Switz.	1.6778-1.6800	1.6790-1.6800	1.57-1.53c pm	10.19	4.56-4.52c pm	10.82

† U.S. cents per Canadian $.

CURRENCY RATES

January 22	Special Drawing Rights	European Unit of Account
Sterling	0.647010	0.681236
U.S. dollar	1.29279	1.36415
Canadian dollar	Unavail.	1.61630
Austrian schilling	17.4300	18.3341
Belgian franc	37.5588	39.5467
Danish krone	6.61068	6.95360
Deutsche Mark	2.38003	2.50534
Guilder	2.56813	2.70534
French franc	5.47432	5.76438
Lira	1078.83	1136.13
Yen	256.380	289.300
Norwegian krone	Unavail.	6.88788
Peseta	90.0558	94.8135
Swedish krona	5.61523	5.90690
Swiss franc	2.16985	2.28132

CURRENCY MOVEMENTS

January 23	Bank of England Index	Morgan Guaranty changes %
Sterling	63.19	−41.0
U.S. dollar	83.86	− 8.9
Canadian dollar	79.10	−18.4
Austrian schilling	147.70	+20.2
Belgian franc	114.70	+15.3
Danish krone	119.18	+ 7.9
Deutsche Mark	150.40	+42.0
Swiss franc	193.61	+81.0
Guilder	125.02	+21.0
French franc	99.92	− 5.6
Lira	54.34	−49.1
Yen	145.76	+44.3

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Jan.23	£	$		£ Note Rates
Argentina Peso	2065-2085	1035-1045	Austria	26½-27½
Australia Dollar	1.7485-1.7535	0.8770-0.8780	Belgium	59-60
Brazil Cruzeiro	42.17-43.37	21.13-21.23	Denmark	10.15-10.25
Finland Markka	7.88-7.90	3.9479-3.9579	France	8.40-8.50
Greek Drachma	71.578-73.328	35.861-36.737	Germany	3.64-3.74
Hong Kong Dollar	9.49-9.51	4.7600-4.7630	Italy	1,660-1,710
Iran Rial	152.69-160.23	76½-81½	Japan	393-403
Kuwait Dinar (KD)	0.542-0.552	0.2715-0.2765	Netherlands	3.98-4.02
Luxembourg Frc.	58.15-58.25	29.133-29.184	Norway	10.05-10.15
Malaysia Dollar	4.3725-4.3925	2.1990-2.2010	Portugal	91-100
New Zealand Dlr.	1.8848-1.8908	0.9443-0.9470	Spain	142-146
Saudi Arab. Riyal	6.63-6.73	3.3216-3.3717	Switzerland	3.30-3.40
Singapore Dollar	4.30-4.32½	2.1633-2.1643	United States	1.9950-2.0050
Sth. African Rand	1.7261-1.7522	0.8648-0.8779	Yugoslavia	40-42

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Jan. 23	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.996	3.695	395.5	8.470	3.353	3.985	1666.	2.369	58.20
U.S. Dollar	0.501	1.	1.851	198.1	4.245	1.680	1.996	834.7	1.187	29.16
Deutsche mark	0.271	0.540	1.	107.0	2.292	0.907	1.078	450.9	0.641	15.75
Japanese Yen 1,000	2.528	5.047	9.345	1000.	21.42	8.477	10.08	4212.	5.990	147.2
French Franc 10	1.181	2.357	4.363	466.9	10.	3.958	4.705	1967.	2.797	68.71
Swiss Franc	0.298	0.595	1.102	118.0	2.526	1.	1.189	496.9	0.707	17.36
Dutch Guilder	0.251	0.501	0.927	99.25	2.125	0.841	1.	418.1	0.594	14.60
Italian Lira 1,000	0.600	1.198	2.218	237.4	5.084	2.012	2.392	1000.	1.422	34.93
Canadian Dollar	0.422	0.843	1.560	166.9	3.575	1.415	1.682	703.3	1.	24.57
Belgian Franc 100	1.718	3.430	6.349	679.5	14.55	5.760	6.847	2863.	4.070	100.

EURO-CURRENCY INTEREST RATES

Jan. 23	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	11-11½	10⅛-10⅜	8¼-9¼	7⅛-7⅜	par-⅛	3-3¼	6⅛-6⅝	7-10	[illegible]	[illegible]
7 day's notice	12⅛-12⅜	10⅛-10⅜	8¼-9¼	7¼-7½	par-⅛	3¼-3⅜	6⅝-7	10½-11½	10¼-10⅜	[illegible]
Month	12¼-12⅜	10½-10⅝	[illegible]	7⅛-7⅜	par-⅛	3¼-3⅜	7⅛-7⅜	12-14	[illegible]	[illegible]
Three months	12¾-13⅛	11-11¼	10⅛-10⅜	7⅝-7⅞	⅛-⅜	3¾-4	7⅛-7⅜	13½-14½	11-11⅛	[illegible]
Six months	14⅛-14⅝	11⅛-11⅜	10¼-11¼	7¼-7½	¼-⅜	[illegible]	8⅛-8½	13½-14½	11⅛-11⅜	[illegible]
One year	13⅞-14⅛	11⅛-11⅜	11¼-11½	7⅛-7⅞	⅜-⅝	4⅛-4¼	9⅛-9⅜	14-15	11⅛-11⅜	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.30-10.40 per cent; three months 10.75-10.85 per cent; six months 11.30-11.40 per cent; one year 11.30-11.40 per cent.

Long-term Eurodollar deposits: two years 10¼-11 per cent; three years 10¼-10½ per cent; four years 10¼-10½ per cent; five years 10¼-10½ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Dutch call money rate cut

The official Dutch call money rate was cut yesterday from 6½ per cent to 6¼ per cent. This reflects the rather full credit conditions prevailing at the moment, after sizeable Government disbursements. The official rate has been set at 6½ per cent since last October. Yesterday call money in the market was quoted 3¼ per cent, compared with 7½-7¾ per cent on Monday. One-month money fell to 6¾-6¾ per cent against 7⅛-8¼ per cent and the three-month rate was also 6⅞-6⅞ per cent, down from 7⅝-8¼ per cent previously.

NEW YORK — Federal funds were trading at 10-1/16-10-3/16 per cent after showing a slightly firmer tendency earlier. However trading remained fairly steady, and later in the day the rate fell to around 10 per cent. Treasury bills were quoted at 9.34 per cent against 9.32 per cent earlier for 13-week bills, and 26-week bills at 9.49 per cent from 9.47 per cent. One-year bills rose to 9.53 per cent from 9.50 per cent.

FRANKFURT — Call money showed a steadier trend after the recent rise in rates and was quoted yesterday at 3.9-4.1 per cent compared with 3.9-4.0 per cent on Monday. One-month money eased to 3.9-4.1 per cent from 4.0-4.2 per cent and the three-month rate stood at 4.1-4.3 per cent against 4.1-4.2 per cent. Six-month money rose from 4.2-4.3 per cent to 4.25-4.4 per cent as did 12-month money to 4.5-4.8 per cent from 4.45-4.55 previously.

VIENNA—The Austrian Bank Rate which at present stands at 4½ per cent, is likely to be reduced at today's meeting of the Austrian National Bank's general council, according to Finance Minister Hannes Androsch. The exact amount has yet to be decided but seems likely to be between ½ per cent and 1 per cent.

PARIS — Short-term money rates were somewhat easier while longer-term rates showed little change from Monday. Day to day money fell to 6½ per cent from 6⅝ per cent and one-month money declined to 6½-6⅝ per cent against 6⅝-6⅞ per cent. The three-month rate was also down at 6⅝-6¾ per cent compared with 6⅞-6⅞ per cent previously. Rates for six and 12-month money were unchanged at 6⅞-6⅞ per cent and 7⅛-7¼ per cent respectively.

BRUSSELS—Deposit rates for the Belgian franc (commercial) were unchanged throughout, from 8¼-8⅜ per cent for one-month to 8⅛-8⅜ per cent for 12-month deposits.

HONG KONG — Conditions in the money market were tight with call money at 12⅛ per cent and overnight business dealt at 12⅛ per cent.

GOLD

Weaker tendency

Gold lost $3¾ an ounce in the London bullion market yesterday and closed at $230¼-231. Trading was severely restricted by the weather conditions and yesterday's train strike. The metal opened at $231¼-232¼ and eased to a morning fixing of $230.60. The afternoon fixing showed a further deterioration to $230.00 and New York entered the market very much in line with levels in London.

In Paris the 12½ kilo bar was fixed at FFr 31,100 per kilo ($228.08 per ounce) compared with FFr 31,500 ($231.12) in the morning and FFr 31,650 ($232.47) on Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 13,725 per kilo ($231.50 per ounce) against DM 13,865 ($234.32) previously.

	Jan. 23	Jan. 22
Gold Bullion (a fine ounce)		
Close	$230¼-231	$232¼-233¼
Opening	$231¼-232¼	$234-234½
Morning fixing	$230.60 (£115.414)	$234.40 (£117.310)
Afternoon fixing	$230.00 (£115.218)	$235.00 (£117.599)
Gold Coins, domestically		
Krugerrand	$247½-249½ (£124-125)	$251¾-253¾ (£126-127)
New Sovereigns	$66½-68½ (£33¼-34¼)	$67-69 (£33½-34½)
Old Sovereigns	$66½-68½ (£33¼-34¼)	$67-69 (£33½-34½)
Gold Coins, internationally		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
$20 Eagles	$330-335	$330-335
$10 Eagles	$164-169	$164-169
$5 Eagles	$108-115	$110-115

UK MONEY MARKET

Moderate assistance

Bank of England Minimum Lending Rate 12½ per cent (since November 9, 1978)

Initial forecasts pointed towards a shortage of credit in yesterday's money market, although this was later reversed to a moderate surplus. Nevertheless, the authorities bought a moderate amount of Treasury bills all direct from the discount houses. This will help to offset the rather heavy tax payments due today. The market was faced with a small increase in the note circulation and a slight net take up of Treasury bills. In addition, banks brought forward balances below target. On the other hand there was a sizeable excess of Government disbursements over revenue transfers to the Exchequer.

Discount houses were paying around 11½ per cent for secured call loans at the start but closing balances were taken as low as 6 per cent. In the interbank market overnight loans opened at 11-11¼ per cent and gently eased to 9-9½ per cent in early afternoon. Rates then touched 10½ per cent before falling to 5 per cent and closing around 12 per cent. Longer term rates showed a slightly firmer tendency in places, reflecting growing concern that MLR may not stay at its present level of 12½ per cent for very much longer.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Jan. 23 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	5-12	—	—	—	11½	6-11¼	—	—	—
2 days notice	—	—	11¾-11⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	11½-12	—	—	—
7 days notice	—	11½-12	12⅛-12¼	—	—	12¼	10¾-11⅛	—	—	—
One month	12¼-12⅛	12⅛-12¼	12⅛-12¼	12¾-13⅛	12¼	12⅞	11⅞	11⅞-11⅞	12⅛-12⅛	12⅞
Two months	12¼-12⅜	12⅜-12⅞	—	12¾-13⅛	12⅞-12⅞	—	12	11⅞-12	12⅝-12⅝	13
Three months	12⅛-12⅜	12⅝-12⅞	12½	12¾-13⅛	12⅝	12⅞	12⅛	12-12⅛	12¼	13⅛
Six months	12⅜-12⅝	12⅝-12⅞	12½-12⅝	13-13⅛	12⅞	—	12¼	—	12½	13⅛
Nine months	12¾-12⅞	12⅞-13	—	13-13⅛	—	—	—	—	—	—
One year	12⅞-13⅛	13-13⅛	13⅛-13¼	13-13⅛	12⅞-13⅛	—	—	—	—	—
Two years	—	—	12⅝-12⅞	—	13⅛	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 12⅞-13⅛ per cent; four years 12⅞-13¼ per cent; five years 12⅞-13 per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅝ per cent; four-month trade bills 13⅛ per cent.

Approximate selling rates for one-month Treasury bills 11⅝-11¾ per cent; two-month 11⅞ per cent; three months 11⅞-12 per cent. Approximate selling rate for one-month bank bills 12⅛ per cent; two-month 12¼ per cent; and three-month 12⅝ per cent; one-month trade bills 12¾ per cent; two-month 13 per cent; and also three-month 13⅛ per cent.

Finance House Base Rates (published by the Finance Houses Association) 12⅞ per cent from January 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.9668 per cent.

MONEY RATES

NEW YORK	
Prime Rate	11.75
Fed. Funds	10.0
Treasury Bills (13-week)	9.34
Treasury Bills (26-week)	9.49
GERMANY	
Discount Rate	3
Overnight Rate	4.0
One month	4.0
Three months	4.2
Six months	4.325
FRANCE	
Discount Rate	9.5
Overnight Rate	6.50
One month	6.5625
Three months	6.6875
Six months	6.8125
JAPAN	
Discount Rate	3.5
Call (Unconditional)	4.75
Bills Discount Rate	4.825

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NORTH AMERICAN NEWS

Change of strategy boosts Xerox

BY STEWART FLEMING IN NEW YORK

A 17 per cent rise in fourth-quarter earnings was reported yesterday by Xerox, the world's leading copier manufacturer, and a company which has been signalling new growth strategies in recent months.

In the final quarter of last year, Xerox recorded earnings of $108.9m or $1.35 a share compared with $93.3m or $1.16 a share in the same period of 1977.

For the whole of 1978, earnings were 15 per cent higher at $563.9m or $5.77 a share compared with $404m or $5.03 a share in 1977.

Total revenues for the year an extraordinary $12m gain from a patent suit settlement with International Business Machines.

In 1976 and 1977, the Xerox share price came under pressure as a result of analysts' concern that competition in the copier market would erode its growth. A change of strategy in the marketing of its equipment to place greater emphasis on outright sales of copiers, which bring in immediate cash, instead of leasing machines, has however, contributed to a surge in profitability.

Thus the company reported today that in the fourth quarter worldwide rental and service revenues rose by 12 per cent, and for the year they were 8 per cent higher. In contrast, revenues from the sale of copiers and duplicators increased by 24 per cent in the fourth quarter, and 38 per cent in the year.

The figures for 1978 exclude increased by 16 per cent to $5.9bn from $5.1bn in 1977.

Reflecting the improved profitability of outright sales, the company's pre-tax profit margin rose to 18.1 per cent, one-tenth of a percentage point higher than in 1977, and its pre-tax return on average assets employed rose to 20.1 per cent, a 1.6 percentage point improvement.

Mr. C. P. McColough, the chairman and chief executive, said the company achieved its cost objectives in 1978. He said that in 1978 revenue in the U.S. rose by 10 per cent, while international revenue was 23 per cent higher, with Latin America particularly good.

He added that the company is expecting another good year in 1979, in spite of the mixed economic outlook.

Share analysts have expressed some reservations about the greater emphasis on increasing outright sales of equipment, arguing that there are limits to the extent to which the balance between sales and leasing can be shifted. But currently, analysts estimate that only about $600m of the company's revenues are derived from outright equipment sales.

There is mounting evidence, however, that Xerox is actively charting new strategies for the future. Last week it announced a $207m agreed bid for WUI Inc, an international communications company. Analysts say Xerox is developing electronic business systems for what it sees as the office of the future, in which copiers and duplicators will communicate from far-flung locations.

Cooper Industries to buy stake in Gardner

By David Lascelles in New York

COOPER INDUSTRIES, the major producers of tools and compressors which has a business association with Rolls-Royce, is to buy Gardner-Denver, the Dallas-based maker of building and drilling equipment in a deal worth $630m.

Under a two-tier agreement, Cooper is to offer $33 for 45 per cent of Gardner-Denver shares starting on or about February 13. Each remaining Gardner-Denver share will be exchanged for one third of a Cooper common share and one half of a share of a new issue of Cooper convertible preferred stock. The new stock will have a redemption value of $33.

If approved, the deal would significantly expand the area of Cooper's engineering activities.

Gardner-Denver shares shot up $5.50 on the news.

Boise Cascade in agreed $135m merger

By Our New York Correspondent

BOISE CASCADE, one of the leading U.S. paper and forest products groups, is planning to strengthen its paper operations with a $135m merger with Stone Container, the thirteenth largest U.S. manufacturer of corrugated containers.

Stone said yesterday that its directors have approved an agreement in principle for the merger. The proposal provides that each Stone shareholder may elect to receive $26.50 per share in cash for each share, or one share of a new Boise Cascade series B cumulative convertible preferred, for each 2.5641 shares of Stone common stock.

Stone, which reported sales of $267m and net profits of $10.1m in 1977, has seen its profits decline from a peak of $14m in 1974. But analysts have been predicting a recovery in 1979.

Boise Cascade, in contrast, has been enjoying strong growth, with net earnings increasing from $64m in 1975 to $115.6m in 1977. Company sales in 1977 were $2.3bn.

TWA seeks fares rise after fourth quarter loss

BY JOHN WYLES IN NEW YORK

TRANS WORLD AIRLINES, whose parent company has just announced an unexpected $12.1m loss in the fourth quarter, has applied for a 7 per cent increase in transatlantic air fares.

For more than a year, TWA has been in the front rank of American carriers' efforts to boost transatlantic scheduled fares, and is again renewing its bid to wring approval from the Civil Aeronautics Board for a rise in normal economy fares. Its application of early last for an economy fare increase was turned down by the CAB, and it remains to be seen whether the airline's disappointing fourth-quarter figures will encourage a change of heart at the agency.

Trans World Corporation, the parent company which also owns Hilton International and a catering subsidiary, Canteen Corporation, was pushed into the red in the last quarter by a $32m loss at TWA. Although the airline often loses money in the first fiscal quarter, a deficit towards the end of the year had not been expected.

However, a major factor appears to have been TWA's failure to maintain traffic growth on its domestic services. Revenue passenger miles rose by only 1 per cent in December, largely, it is believed, because of the airline's attempt to divide passengers into three classes of service, first economy and discount. This experiment was abandoned on December 6 when it became clear that bookings were being adversely affected.

For the full year ending December 13, 1978, Trans World's earnings grew from $57.3m or $3.33 per share to $86.6m or $4.54 per share. Revenues rose from $3.33bn to $3.63bn. Pre-tax profits at Hilton International totalled $44.4m, at TWA $35.1m and at Canteen Corporation $21.7m.

● Meanwhile, earnings at Eastern Airlines more than doubled last year from $27.9m or $1.38 per share to $67.3m or $2.91 per share. Revenue rose from $3.04bn to $3.38bn.

Sperry Rand growth

By Our New York Correspondent

REFLECTING buoyant demand in the computer market, Sperry Rand reported a strong quarterly earnings gain.

Third-quarter earnings rose from $39.6m or $1.14 a share, to $57.1m or $1.62 a share. For the first nine months of its financial year, Sperry's earnings increased from $117m or $3.37 a share to $154.6m or $4.39 a share.

Mr. J. Paul Lyet, chairman and chief executive, said the company had broad continuing new order strength in the quarter and strong revenue gains were recorded in computer, farm equipment and fluid power businesses.

He added that the results, coupled with the $3bn order backlog at the end of last year, gave cause for optimism about the company's near- and long-term prospects.

Atlantic Richfield gain

By Our New York Staff

ATLANTIC RICHFIELD, the first oil major to report for 1978, said that net income rose 15 per cent to $804.3m, equivalent to $6.60 per share. Sales increased 12 per cent from $11.5bn to $12.7bn.

Mr. Robert Anderson, chairman, said the increase was due mainly to a more than tripling of the company's production of North Slope oil in Alaska, which reached a daily average of 193,200 barrels. Profits from marketing and refining also rose because of higher petrol sales, somewhat firmer prices and more efficient operations.

Kimberly-Clark ahead

KIMBERLY - CLARK Corporation, the pulp paper maker, said income from operations in the U.S. rose 20 per cent to $114.4m in 1978, while income from operations outside the U.S. was down 3 per cent to $34.4m reports Reuter from Neenah. Earnings from equity companies, those in which the company has a 20 to 50 per cent stake, rose 72 per cent to $20.7m.

Operating profit in the consumer and service class rose 15 per cent to $147.5m and earnings from the newsprint, pulp and forest products group dropped 10 per cent to $58.1m.

Caterpillar profits surge

BY OUR NEW YORK STAFF

CATERPILLAR, the earthmoving giant which is enjoying a business boom, reported a surge in profits for 1978, due mainly to strong last quarter results.

Earnings for the year rose 27 per cent to $566.3m or $6.56 a share, on a 23 per cent increase in sales to $7.22bn. Included in this was a 38 per cent rise in net income in the last quarter of 1978 to $157.5m or $1.82 per share, on sales of $1.93bn (up 27 per cent.

Although the company indicated that foreign currency translation losses and the demands of exceptionally heavy production schedules had cut into earnings, it stressed that demand was strong and that results were a record.

Of last year's sales increase, 60 per cent was due to volume and the rest to price rise.

Caterpillar announced at the end of last year that it had increased its workforce by nearly 1,000, and that 50 per cent of its models of earth-moving machinery had been allocated to dealers.

U.S. QUARTERLIES

AMFAC	1978	1977
Fourth quarter	$	$
Revenue	434.5m	373.4m
Net profits	17.0m	14.5m
Net per share	1.31	1.16
Year		
Revenue	1.5bn	1.32bn
Net profits	42.4m	32.7m
Net per share	3.27	2.58

ARMCO	1978	1977
Fourth quarter	$	$
Revenue	1.10bn	913.4m
Net profits	56.8m	51.92m
Net per share	1.34	1.13
Year		
Revenue	4.36bn	3.56bn
Net profits	186.31m	119.71m
Net per share	4.29	2.53

BAKER INTERNATIONAL	1979	1978
First quarter	$	$
Net profits	19.2m	14.6m
Net per share	0.58	0.51

BECTON DICKINSON	1979	1978
First quarter	$	$
Net profits	13.6m	11.8m
Net per share	0.72	0.62

CONSOLIDATED EDISON	1978	1977
Fourth quarter	$	$
Revenue	707.6m	713.1m
Net profits	55.7m	68.5m
Net per share	0.72	0.78
Year		
Revenue	3.01bn	3.02bn
Net profits	308.6m	323.6m
Net per share	4.29	4.53

CONTROL DATA	1978	1977
Fourth quarter	$	$
Revenue	769.0m	650.0m
Net profits	24.2m	14.7m
Net per share	1.40	0.86
Year		
Revenue	1.9bn	1.5bn
Net profits	88.0m	63.0m
Net per share	5.17	3.65

DETROIT EDISON	1978	1977
Fourth quarter	$	$
Revenue	398.1m	347.1m
Net profits	32.04m	22.93m
Net per share	0.49	0.40
Year		
Revenue	1.59bn	1.45bn
Net profits	108.81m	110.42m
Net per share	1.76	2.00

FIRST CHICAGO	1978	1977
Fourth quarter	$	$
Net profits	33.26m	29.96m
Net per share	0.84	0.75
Year		
Net profits	131.05m	111.10m
Net per share	3.30	2.80

FOREMOST-McKESSON	1978	1977
Third quarter	$	$
Revenue	925.2m	804.9m
Net profits	16.35m	13.40m
Net per share	0.83	0.78
Nine months		
Revenue	2.57bn	2.27bn
Net profits	43.21m	32.15m
Net per share	2.48	1.89

FREEPORT MINERALS	1978	1977
Fourth quarter	$	$
Revenue	81.7m	78.7m
Net profits	8.4m	1.7m
Net per share	0.66	0.11
Year		
Revenue	304.4m	312.1m
Net profits	31.2m	21.2m
Net per share	2.07	1.37

HERCULES	1978	1977
Year	$	$
Revenue	1.95bn	1.7bn
Net profits	103.3m	57.8m
Net per share	2.36	1.36

HILTON HOTELS	1978	1977
Fourth quarter	$	$
Revenue	119.8m	101.5m
Net profits	18.73m	11.62m
Net per share	0.72	0.43
Year		
Revenue	451.1m	376.1m
Net profits	67.59m	40.06m
Net per share	2.82	1.42

INA CORPORATION	1978	1977
Fourth quarter	$	$
Net profits	56.37m	48.58m
Net per share	1.65	1.54
Year		
Net profits	211.39m	165.9m
Net per share	8.37	6.64

MEREDITH	1978	1977
Second quarter	$	$
Revenue	80.7m	72.0m
Net profits	4.00m	3.78m
Net per share	1.30	1.24
Six months		
Revenue	157.4m	137.0m
Net profits	7.6m	7.2m
Net per share	2.47	2.34

REDMAN INDUSTRIES	1978-79	1977-78
Third quarter	$	$
Revenue	58.7m	47.2m
Net profits	3.0m	2.4m
Net per share	0.33	0.26
Nine months		
Revenue	181.2m	135.6m
Net profits	11.2m	8.5m
Net per share	1.21	0.69

TEXASGULF	1978	1977
Fourth quarter	$	$
Revenue	170.8m	124.0m
Net profits	15.0m	8.0m
Net per share	0.41	0.19

TRANSCANADA PIPELINES	1978	1977
Year	$	$
Revenue	2.19bn	1.87bn
Net profits	87.9m	78.3m
Net per share	2.20	2.01

UNION BANCORP	1978	1977
Fourth quarter	$	$
Net profits	9.2m	5.6m
Net per share	0.74	0.48
Year		
Net profits	28.3m	18.7m
Net per share	2.55	1.61

UNION PACIFIC	1978	1977
Fourth quarter	$	$
Revenue	834.2m	692.7m
Net profits	78.6m	63.6m
Net per share	1.67	1.34
Year		
Revenue	2.96bn	2.55bn
Net profits	284.1m	221.9m
Net per share	5.55	4.68

INTERNATIONAL CAPITAL MARKETS

DM bonds slide further on Bundesbank measures

BY FRANCIS GHILES

WHILE PRICES in the dollar sector of the international bond market have firmed up a little, those in the Deutsche-Mark market have continued the drift downwards which they started after the Bundesbank measures announced last Thursday. Sterling denominated bonds fell by about two points across the board yesterday.

In the past 48 hours, DM-denominated bonds have shed about three-quarters of a point. The Bundesbank measures made the domestic DM market unhappy, and the terms of the latest Federal Railways loan compounded the misery. This DM 600m offering carries a coupon of 6½ per cent and a maturity of six years. Most bankers were hoping for a higher coupon.

The weakening of the domestic market spilled over into the foreign bond market. It led Deutsche Bank to increase the indicated coupon (from 6¼ to 6½ per cent) and also the indicated pricing (from 99½ to par), which it is offering on the DM 100m issue it is arranging for Eurofima. The same bank is also arranging a DM 88m 12-year private placement for Euratom. Other terms for these bonds, which will have an average life of 8½ years, include a coupon of 6½ per cent.

The two latest Japanese convertibles, a DM70m public issue for Tokyu Land through BHF Bank and a DM30m private placing for Nippon Miniature Bearing Company through Bayerische Landesbank, both carry coupons of 4 per cent. They both carry a maturity of seven years and an indicated price of par.

Dresdner Bank is expected to announce an issue of DM100-150m for the Brazilian company Electrobras later this week.

In the Kuwaiti Dinar sector, CESP-Companhia Energetica de Sao Paulo is expected to raise a KD10m bond through three banks, Kuwait Foreign Trading Contracting and Investment Company, Merrill Lynch International, and Orion. The issue will have a split eight and 12 year maturity. Indicated coupon is 8½ per cent and the issue will carry the guarantee of the Republic of Brazil.

Panama is arranging a Y10bn private placing through a group of banks led by Yamaichi Securities. Final terms include a 15-year maturity and a 7.6 per cent coupon. The bonds, which will have an average life of 11.4 years, have been priced at 99½ to yield 7.63 per cent.

Canada to raise $500m in yen

BY VICTOR MACKIE AND FRANCIS GHILES

THE CANADIAN Government is negotiating loans of about Y100bn (U.S.$506m) with Japanese banks. This total is expected to be split into two separate operations: a line of credit worth about Y70bn and an offering of federal bonds denominated in yen to make up the balance.

The aim of this operation is to prop up the weak Canadian dollar. Last year, Canada borrowed heavily abroad, in the Eurocurrency and New York markets, to replenish its foreign currency reserves and boost the Canadian dollar.

But while the Central Bank converted U.S.$4.9bn of foreign reserves into Canadian dollars, in 1978, the Canadian dollar has slipped by about 6 U.S. cents.

At the end of the year reserves of foreign currencies stood at U.S.$4.55bn, down only slightly from the figure of U.S.$4.6bn at the end of 1977.

Overall, Canadian entities have been the largest fund raisers in the international financial markets last year: they raised close on U.S.$6bn in the form of syndicated Euroloans, and just over U.S.$3bn in the form of bonds, both in New York and the Eurobond markets.

Electrobras seeks $400m loan

SEVERAL INTERNATIONAL banks have been invited to bid for a $400m loan to the Brazilian state electricity agency, Electrobras. The loan will not carry a government guarantee. This is believed to be the first time Electrobras has tried to raise a syndicated loan without such a guarantee.

The terms of the loan are expected to be slightly higher than those of recent Brazilian credits, reflecting the absence of a guarantee. The latest Brazilian credit was a 10-year $200m loan to Companhia Vale do Rio Doce, arranged by Chase, which carried a margin of 1 per cent throughout. According to bankers, the Electrobras loan is likely to be structured in three tranches of 10, 12 and 15 years respectively. It is thought that the funds will go towards the purchase by the Brazilian government of a major stake in Light-Servicos de Electricidade from the Canadian investment management company Brascan. The total cost to the Brazilian government of the 83 per cent interest in Light-Servicos is $380m.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on January 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 9¼ 88	25	94½	94⅞	+0¼	+0⅛	10.15
Australia 8.45 83	175	95½	96⅛	+0⅛	+0⅛	9.82
Australia 9⅛ 93	75	96⅞	97⅜	+0⅛	+0⅛	9.70
Beatrice Foods 7¾ 83	100	93⅞	94⅜	+0½	+0½	9.46
CECA 8¾ 87	50	†94	94½	+0¼	−0⅛	9.77
CECA 9¾ 84-99	50	96⅜	96⅞	+0¼	+0⅛	9.74
CNT 9 93	75	94⅛	94⅞	+0⅛	+0⅛	9.70
Canada 9 83	400	97⅜	98⅛	+0⅛	+0¼	9.76
Canada 9¼ 98	350	97⅜	98⅛	+0⅛	+0⅛	9.70
Canadair 8½ 83	70	94¼	94¾	+0⅛	0	10.08
Dominion Bridge 9 86	25	94⅞	95⅜	+0⅛	0	9.94
EIB 9¼ 98	125	95¼	95¾	0	+0⅛	9.87
Export Dv. Cpn. 9.85 84	150	100½	101	—	—	9.89
Eksportfinans 9 86	50	95¼	95¾	0	−0⅛	9.85
Finland 8¾ 83	100	96⅜	96⅞	+0⅛	+0⅛	10.02
Finland 9 88	100	95⅛	95⅝	+0⅛	+0⅛	9.98
Hospital O/S 9 83	25	97¼	97¾	−0⅛	+0¼	9.67
Ital Finance 9¾ 90	30	93½	94	+0⅛	+0⅛	10.70
J. C. Penney 8⅞ 83	100	96	96½	+1	+0⅛	9.53
NZ Dev. Fin. 8⅞ 83	20	94⅛	94⅝	+0¼	+0⅛	9.71
NZ Dev. Fin. 8¾ 85	20	93⅞	94⅜	+0¼	0	9.66
Nat. West. 9 86	75	97⅛	97⅝	+0⅛	+0¼	9.49
Newfoundland 9¾ 90	50	96⅜	96⅞	+0⅛	+0⅛	9.74
Nord Inv. Bk. 8¾ 88	25	95½	96	+0⅛	+0⅛	9.44
Norges Komm. 9¼ 98	75	95½	96⅛	+0⅛	+0⅛	9.83
Norsk Hydro 9⅜ 94	50	95⅞	96⅜	+0⅛	−0⅛	9.75
Norway 7⅞ 83	250	92⅝	93⅛	0	−0⅛	9.98
Norway 8¾ 83	150	96⅝	97⅛	+0⅛	+0⅛	9.86
Norway 9¾ 84	150	99⅞	100⅜	+0⅛	+0⅛	9.99
Occidental 8⅞ 85	75	92½	93	+0⅛	+0⅛	10.47
Ont. Hydro 8½ 85	125	93⅞	94⅜	+0⅛	0	9.76
Quebec Hydro 9½ 93	50	97¼	97¾	+0⅛	+0⅛	9.82
Sweden 9¼ 98	125	96⅝	97⅛	+0⅛	+0⅛	9.82
UK 8½ 85	200	94⅝	95⅛	+0⅛	0	9.80
UK 8⅞ 93	150	95½	96	+0⅛	+0⅛	9.66

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 6½ 88	150	95⅛	95⅞	0	−0⅛	7.13
Australia 6 88	250	89⅛	89⅞	−0⅛	−1⅛	6.05
Austria 5½ 90	150	93½	94	−0¼	−0⅛	6.52
Bankamerica 5¾ 90	150	98½	99	0	−0⅛	5.90
Bq. Ext. Algerie 7¼ 85	100	96⅝	97⅛	0	−0¼	7.83
Brazil 7¼ 87	150	100⅛	100⅝	0	−0⅛	7.18
CECA 6 88	150	96¼	96¾	0	−0⅛	6.49
Canada 4¾ 83	600	98	98½	+0⅛	−0⅛	5.24
Ch. Manhttn. O/S 6 93	100	100¼	100¾	−0⅛	−1¼	5.96
Commerzbank WW 3½	100	102⅝	103⅛	0	−1½	3.10
Commerzbank XW 3½	100	92⅛	92⅞	0	−0⅛	5.98
Copenhagen City 6 90	75	93⅝	94⅛	−0⅛	−0⅛	6.77
Council of Europe 6¼	100	97⅝	98⅛	−0⅛	+0⅛	6.41
Council of Europe 6¼	130	98¼	98⅞	0	+0⅛	6.44
EIB 6 90	300	95¼	95¾	−0⅛	−0⅛	6.56
EIB 6½ 91	200	96⅛	96⅝	−0⅛	−0⅛	6.96
Finland 6 83	150	98⅜	99⅛	0	−0½	6.27
Hitachi Ship. 5¾ 83	50	99⅝	100⅛	−0⅛	−1	5.78
IBJ 5 84	100	97⅞	98⅜	+0⅛	−0⅛	5.41
Indonesia 7 84	100	96⅝	97⅛	0	−0⅛	7.63
Kobe, City of 5¾ 86	100	100⅞	101⅜	−0⅛	−0⅛	5.53
Norges Komm. 6¼ 89	150	96⅞	97⅜	+0⅛	+0⅛	6.65
Mitsubishi Petro. 5¾ 85	100	100½	101	+0⅛	−0⅛	5.58
New Zealand 6¼ 87	200	99	99½	−0⅛	−0⅛	6.39
Nippon Steel 5¾ 85	100	100	101	+0⅛	−0½	5.65
Nordic Inv. Bk. 6¼ 86	60	97⅞	98⅜	0	−0½	6.59
Norges Komm. 6 90	100	96½	97	−0¼	−0⅛	6.37
Norwegn. Ind. Bk. 6 90	125	97⅛	97⅝	−0⅛	−0⅛	6.31
Occidental 6¾ 90	150	96⅞	97⅜	−0⅛	−0⅛	7.15
OKB 6½ 88	100	100⅝	101⅛	−0⅛	−0⅛	6.38
Petroleo Brazil 7 88	100	99¼	99¾	+0⅛	−0⅛	7.12
PK Banken 5¾ 88	100	93	93½	0	−0⅛	6.73
Quebec, Prov. of 6 90	150	94	94½	−0⅛	−0⅛	6.72
Ricoh 5¾ 83	30	99⅛	99⅝	0	−0⅛	5.37
Statoil 6 88	150	97⅛	97⅝	−0⅛	−0⅛	6.33
UDS Group 5¾ 83	65	97	97½	0	−0⅛	6.45
Union Bank-Finn 6½ 88	50	95½	96	−0⅛	−1⅛	7.11
Venezuela 6½ 90	150	93¼	93¾	−0⅛	−1⅛	7.36
World Bank 6¼ 88	400	97¼	97¾	−0⅛	−0⅛	6.60

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Acesa 5¼ 88	40	104	104½	−0⅛	−0½	4.68
Amer. Exp. Int. 3½ 93	40	100⅝	101	−0⅛	+0½	3.42
Arlberg Tunnel 4 93	40	101⅞	102⅛	+0⅛	+0⅛	3.81
Austria 3½ 93	100	98	98¼	−0⅛	+0⅛	3.67
Brazil 4⅞	100	98½	98¾	+0¼	+0¼	4.42
Chase Manhattan 4 93	70	104⅞	105⅛	−0⅛	+0⅛	3.55
Council of Europe 4¼	100	102½	102¾	−0⅛	+0⅛	3.97
Bankamerica 3¾ 93	80	102½	102¾	+0⅛	+0½	3.52
BNDE 5 88	75	102½	103	−0⅛	+0⅛	4.64
Denmark 4½ 90	100	104⅝	104⅞	+0⅛	+0½	3.98
Denmark-Mortgage Bk.	80	103¾	104⅛	+0¼	0	4.04
EIB 4¾ 93	100	102	102¼	−0⅛	−0⅛	4.05
Euratom 4¼ 93	80	101¾	102	−0⅛	−0⅛	4.08
F. L. Smidth 4½ 89	25	103⅜	103⅝	+0⅛	+0⅛	4.08
Finland 4½ 93	80	103⅛	103⅝	−0⅛	+0¼	4.17
First Chicago 3½ 93	70	*†99	99¼	−0⅛	+0⅛	3.58
GZB 4½ 93	100	103⅛	104⅛	+0⅛	+0⅞	4.08
Hilti-Liechenstein 4¼	25	104¾	105	−0⅛	+0⅛	3.80
ICI Fin. NV 4¾ 93	100	104½	105	−0⅛	0	3.81
Malaysia 4½ 90	80	100¼	100½	0	+0¼	4.71
Manitoba 4 93	100	103	103¼	0	−0⅛	3.71
Newag 4 93	70	102⅛	102½	+0⅛	+0⅛	3.78
Norges Komm. 4¾ 90	100	103⅝	104	0	0	3.82
Norwegian Mt. As. 4 94	40	—	—	—	—	—
OKB 4 93	80	101⅛	101⅜	0	+0⅛	3.85
Oy Nokia 5 90	20	104	105	0	−0⅛	4.48
Safe 4¼ 93	30	102¾	103	−0⅛	−0⅛	3.98
Sandvik 4 90	85	102⅛	102½	0	+0⅛	3.75
Sees 4½ 88	15	103⅞	104¼	−0⅛	−0⅛	3.97
Voest-Alpine 4½ 93	100	103⅞	104	+0⅛	+0⅛	4.14
Vorarlberg Kraft 4 93	30	102⅛	102⅜	+0⅛	+0⅛	3.76
Vienna 4 93	100	101¼	101½	−0⅛	+0½	3.87
World Bank 4¼ 93	250	103½	103¾	+0⅛	+2⅛	3.92

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5⅞ 88	15	96	96¾	−0⅛	−0⅛	6.26
Australia 5.6 83	30	100⅝	101⅛	0	0	5.43
Australia 6½ 88	20	98⅛	99⅛	−0½	−0⅛	6.78
BFCE 6.4 90	30	95	95¾	0	−0⅛	7.12
Eurofima 6.3 90	10	†96	96¾	0	−0⅛	6.88
Finland 5.6 83	10	98¾	99½	−0⅛	−0⅛	5.89
Finland 6.8 88	10	97½	98½	−0⅛	−0⅛	7.21
Norway 5.7 83	25	100½	101¼	−0⅛	−0½	5.54
Sweden 6.3 90	40	94⅞	95⅞	+0⅛	+0⅛	7.03

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11½ A$	12	†95	96½	0	0	12.76
Auto Cote B. 7 93 EUA	16	93⅞	94⅞	0	−1⅛	7.65
Copenhagen 7 93 EUA	30	93⅝	94⅝	0	−1	7.69
Komm. Inst. 7½ 93 EUA	15	97¼	98¼	0	−0⅛	7.76
Panama 8½ 93 EUA	20	†95¾	96½	0	−0⅛	8.72
SDR France 7 93 EUA	22	95½	96½	0	−0⅞	7.45
Algemene Bk. 6½ 83 Fl	75	94⅝	95⅛	−0⅛	−0⅛	7.68
Brazil 7½ 83 Fl	75	95⅛	95⅝	0	+0½	8.78
CFE Mexico 7¼ 83 Fl	75	97¼	97½	−0⅛	+0⅛	8.38
EIB 7¼ 85 Fl	75	96⅛	96⅝	0	+1⅛	7.96
Neder. Midd. 6½ 83 Fl	75	94	94½	−0⅛	+0⅛	8.10
New Zealand 6¾ 84 Fl	75	95¼	95¾	0	+1	7.78
Norway 6½ 83 Fl	100	94⅛	94⅝	−0⅛	−0⅛	8.13
OKB 6½ 85 Fl	75	91⅝	92⅛	−0⅛	0	8.19
Elf Aquitaine 9¾ 88 FFr	150	99½	100	0	+0⅛	9.78
EIB 9½ 88 FFr	200	99⅝	100⅛	+0⅛	+0⅛	9.75
Unilever 10 85 FFr	100	101⅝	102⅛	0	+0⅛	9.60
BAT 8 88 LuxFr	250	96⅞	97⅜	0	+1	8.42
Bayer Lux. 8 86 LuxFr	250	96⅞	97⅜	0	+1	8.49
EIB 7¾ 88 LuxFr	250	96⅛	96⅞	0	+0⅛	8.28
Finland I. F. 8 88 LuxFr	250	96⅝	97½	0	+0⅛	8.44
Norway 7¾ 83 LuxFr	250	97	97¾	0	0	8.45
Norges Km. 8 86 LuxFr	500	†99	100	0	+0⅛	8.08
Renault 7¾ 88 LuxFr	500	97⅛	97⅞	0	−0⅛	8.13
Solvay Fin. 8 85 LuxFr	500	100⅝	101⅛	0	−0⅛	7.80
Swedish Bk. 8 88 LuxFr	500	99¼	100	−0⅛	0	8.05

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
American Express 82	0¼	99½	100	20/4	10⅝	10.65
Arab Intl. Bk. M6.5 83	0¾	96	96½	31/1	9⅜	9.74
BFG Fin. Co. M5.5 89	0⅝	98¼	98¾	12/7	12.4	12.59
Bco. El Salvador M8 83	1¾	97⅛	97⅝	12/4	11.31	11.60
Bco. Nac. Argnt. M8 83	0¾	98½	99	21/7	12⅜	12.41
Bank Handlowy M8 88	1⅛	97⅛	97⅝	25/11	12.94	13.27
Bank of Tokyo M5½ 93	0¼	96⅞	97⅛	18/4	10½	10.82
Banque Worms M5½ 85	0¾	98⅛	98⅝	15/6	12	12.20
Bq. E. d'Alg. M8.375 84	0⅝	96½	97¼	9/2	9⅝	9.94
Bq. E. d'Alg. M7.5 85	0⅝	95⅛	95⅞	2/5	12⅞	13.35
Bq. Indo et Suez M5½	0¼	98⅞	99⅜	25/11	9⅜	9.47
Bq. I. Afr. Occ. M6.5 83	0½	97⅜	97⅞	12/7	12.4	12.70
CCCE M6.25 98	0⅜	97½	98	3/2	9.19	9.40
Ch. Man. O/S M5½ 93	0¼	98	98½	27/1	9.31	9.48
Credit National M5¾ 88	0¼	98	98½	11/7	12⅝	12.80
Gotabanken M6 88	0¾	97½	98	15/5	12.31	12.60
Ind. Bk. Japan M5½ 85	0¼	99⅛	99⅝	1/6	12.35	12.43
Ljubljanska M7.75 85	1	96⅞	97⅜	18/7	12.94	13.34
LTCB Japan M5¼ 85	0¼	98⅜	98⅞	9/5	12.06	12.20
Midland Intl. M5½ 93	0¼	98⅛	98⅝	20/7	12⅛	12.45
Nat. West. M5¼ 90	0¼	98½	99	21/6	12½	12.66
Nipp. Crdt. Bk. M5.5 85	0⅛	99⅛	99⅝	22/6	12.81	12.88
OKB M5¼ 88	0¼	100¼	100¾	18/4	10.56	10.51
Offshore Mining 86	0¼	98⅞	99⅜	19/7	12.19	12.31
Petro Mexicano 7¾ 84	0⅛	98⅜	98⅞	24/7	12.06	12.23
Privredna Banka M8 88	0⅞	95¾	96¾	22/6	13.44	13.96
Standard Chrt. M5.5 90	0¼	97½	98	10/2	8.94	9.14
Sundsvallsbanken M6 85	0⅜	97⅛	97⅝	4/4	10.06	10.33
Utd. Overs's Bk. M6 83	0¼	98¾	99¼	4/5	12.31	12.44

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5¼ 93	9/78	622	109	110	+1⅛	10.67
Baker Int. Fin. 5½ 93	1/79	†34	103	103½	−1⅛	7.59
Boots 6¼ 93	2/79	218	89	90	−1⅛	−2.65
Coca-Cola Bottling 6¾	4/79	9	91⅛	92⅛	0	24.55
Ito-Yokado 5¾ 93	6/78	1473	132⅝	133⅝	−0¼	1.22
Novo Industri 7 89	4/79	259	89½	90½	0	4.67
Texas Int. Air. 7½ 93	4/79	14.5	†89	89½	−2⅛	10.14
Thom Int. Fin. 7 88	11/78	3.67	100⅛	100⅞	−2	−0.70
Tyco Int. Fin 8½ 88	9/78	21	†100	100½	−0⅛	14.54
Tyco Int. Fin. 5 84	5/78	61.5	†76	76½	−0⅛	156.13
Asahi Optical 3½ DM	12/78	588	93¼	94¼	−0½	−1.37
Casio Cp. 3¾ 85 DM	11/78	841	102⅝	103⅝	0	9.92
Izumiya 3½ 86 DM	10/78	989	97⅝	98⅝	+0⅞	6.17
Jusco 3½ 86 DM	1/79	1270	93⅞	94⅞	−0½	11.83
Konishiroku 3½ 85 DM	1/79	612	94⅛	95⅛	−0⅛	6.24
Marudai Food 3½ DM	2/79	1033	100	101	−1⅛	13.20
Murata M. 3½ 86 DM	11/78	854	106½	107½	+0⅛	−2.29
Nipp. Air. 3.5 88 DM	12/78	508	89⅞	90⅞	−0½	3.29
Nippon Shinpan 3¾ DM	8/78	738	111⅛	112⅛	+0⅛	5.69
Nippon Yen. 3½ 85 DM	1/79	251	95⅛	96⅛	0	4.12
Nissan Diesl. 3½ 88 DM	2/79	477	93⅝	94⅝	−0⅛	7.83
Olymp. Opt. 3½ 85 DM	2/79	703	102½	103½	−0⅛	−3.49
Ricoh 3½ 86 DM	10/78	617	101⅝	102⅝	0	16.48
Sanyo Electric 3½ DM	11/78	295	95⅛	96⅛	−0⅛	−3.84
Seiyu Strs. 3½ 88 DM	9/78	1275	110⅞	111⅞	−0⅛	−4.05
Sharp Cpn. 3½ 88 DM	2/79	487	97⅝	98⅝	+2⅛	−3.72
Stanley Elec. 3½ DM	11/78	623	91⅛	92⅛	−0½	11.89
Tokyo Elec. 3½ 87 DM	4/79	476	97⅝	98⅝	+0¼	4.98
Trio-Knwd. 3½ 86 DM	11/78	711	90⅞	91⅞	+0⅛	23.90

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M = Minimum coupon. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

BUILDING SOCIETY INTEREST RATES

GREENWICH (01-858 8212)
281 Greenwich High Road, Greenwich SE10 8NL.
Deposit Rate 6.45%, Share Accounts 8.10%, Sub'pn. Shares 9.25%. Interest paid quarterly on shares/term shares. Monthly Income Shares 8.10%.

LONDON GOLDHAWK (01-995 8321)
15/17 Chiswick High Road, London W4 2NG.
Sub'pn. Shares 9.75%*. Deposit Rate 7.25%. Share Accounts 8.50%*. 3 mnths. notice 9.00%*. Term Shares 9.50%*, 3 yrs.: 9.25%*, 2 yrs.: 9.00%, 1 yr.: 9.00%*, includes 0.25% Centenary Bonus throughout 1979.

FIAT MANAGEMENT CHANGES

Keeping the emphasis on car production

BY PAUL BETTS IN ROME

WITH ITS top management reshuffle, the Fiat group gave eloquent confirmation yesterday of its intention to continue concentrating mainly on its traditional car production in coming years. This was clearly reflected in the promotion of Sig Nicola Tufarelli, who was formerly in charge of the company's car manufacturing activities, to be one of the three members of the company's key management committee and a new joint managing director.

Sig Tufarelli, who originally joined Fiat from Olivetti, has been widely credited with the recovery of the company's car sector following the oil-crisis clump five years ago. In the subsequent period, he succeeded in making the Turin-based group's car activities break even in 1976, gradually bringing them back to profit in 1977 and last year.

In what proved to be a disappointing year for most of Fiat's operations, especially for commercial vehicles in which the company has recently invested heavily, car turnover rose by some L1,000bn to L5,757bn last year. Production also increased from 1,277,000 units in 1977 to 1,325,000 last year, although exports remained practically level at 551,000 units.

In large measure, the reshuffle announced yesterday is the final act in the wide-scale reorganisation programme started some ten years ago to rationalise and strengthen the group's structure by setting up a financial holding company, Fiat Holding SpA, controlling eleven operating companies in specific sectors.

In a letter sent to shareholders, Sig Giovanni Agnelli, the Fiat chairman, emphasised that the group had now completed its reorganisation programme with the creation earlier this month of the last and most important of the new operating companies, Fiat Auto SpA, incorporating all car manufacturing activities and with a share capital of L1,200bn. In view of Fiat's policy of "decentralisation and internationalisation," a new management structure was now necessary, Sig Agnelli said.

Apart from the promotion of Sig Tufarelli, there are a number of other significant changes in the group's top management. While Sig Giovanni Agnelli remains the dominating personality in the new management, the day-to-day running of the group has been passed on to his younger brother, Sig Umberto Agnelli, Fiat's present deputy chairman and a ruling Christian Democrat senator. Sig Umberto Agnelli, who for some time has indicated his intention gradually to drop out of political life to devote himself chiefly to the activities of the company, has also been appointed executive managing director and chairman of the management committee.

Together with Sig Umberto Agnelli and Sig Tufarelli, Sig Cesare Romiti, who has been responsible for the group's finances, will also sit on the management committee. This suggests that the company's financial policy is unlikely to change. Sig Romiti has perhaps been the main architect of the successful consolidation of Fiat's financial position. This led to an increase in the group's overall financial assets of some L429bn to L630bn last year, together with a sharp rise in short term liquidity totalling some L550bn at the end of last year.

But despite this improved financial position, Fiat, which has returned to profit largely as a result of its financial activities, is expected to report profits for last year, similar to the L65bn reported in 1977. This reflects the group's strategy of containing dividends to retain its self-financing potential.

The internationalisation of the group, whose net consolidated turnover increased from L11,449bn in 1977 to L12,920bn ($15.5m) last year, is also reflected in the appointment of M Jacques Vandamme, a former director of Fiat France and chief executive of the Fiat-Allis earth-moving equipment concern, as chairman of Fiat's commercial vehicles subsidiary, IVECO. He takes the place of Sig Bruno Beccaria who, like Sig Niccolo Gioia, replaced on the management committee by Sig Tufarelli, is apparently being gradually eased out of the Fiat top management.

Other new appointments include the nomination of Sig. Vittorio Ghidella, Sig. Tufarelli's former Number Two, who takes over the new auto division, and Sig. Marco Pittaluga, the new chairman of Fiat-Allis.

In a broad policy of integrating the management of the main holding company and the various operating arms, the Agnelli brothers and a number of top Fiat executives will now also sit on the various boards of the separate companies. This was designed, according to Sig. Giovanni Agnelli, "to distribute responsibilities between the holding company and the operating groups to balance the activities of the entire Fiat conglomerate."

One peculiar aspect of the new management structure is an apparent reduction in the influence of Fiat's Libyan shareholders, who see their voice on the holding company's executive board diluted by the addition of Sig. Nicola Tufarelli, increasing the voting members on the executive board from five to six. At present the Libyan shareholders are represented by Mr. Regheb Misellati on the executive board.

PRINCIPAL RESULTS OF THE FIAT GROUP

	Turnover consolidated		Fixed assets investments	
	Lbn			
Operating groups	1978	1977	1978	1977
Automobiles	5,757	4,809	285	201
Commerc .vehicl.	3,189	2,888	324	346
Agric. tractors	771	603	29	25
Construct. machin.	634	589	28	24
Iron and steel	1,245	1,240	58	214
Components	1,179	964	69	48
Machine tools and prod. systems	209	166	7	5
Civil engineer.	1,021	1,141	3	5
Energy	129	113	15	9
Rolling stock	173	197	10	12
Tourism and transp.	56	39	5	5
Miscellaneous	463	479	105	107
Total	14,835	13,228	938	1,001
Intercompany trading Net consolidated	1,915	1,779		
Turnover for the Fiat Group	12,920	11,449		

Fiat Group labour force: 1978—346,043; 1977—341,693

FIAT HOLDING SPA FINANCIAL POSITION AT DECEMBER 31,1978

	1978*	1977	Change
	Lbn		
A. SHORT LIQUIDITY POSITION			
Assets	552	458	+ 94
Liabilities (represented by advances in foreign currencies on exports)	2	151	—149
Net	550	307	+243
B. MEDIUM- AND LONG-TERM POSITION			
Bonds	96†	97	— 1
—amounts due to banks and other financial institutions—secured	344	282	+ 62‡
—amounts due to banks and other financial institutions—unsecured			
1) Financing of new investments	283	217	+ 66§
2) Financing of exports	74	79	— 5
Total	797	675	+122
C. INTERCOMPANY			
Short-term advances	614	317	+297
Short-term borrowings	130	122	+ 8
Medium- and long-term advances	312	178	+134
Net	796	373	+423
D. INVESTMENTS IN GOVERNMENT SECURITIES	81	196	— 115
Overall financial position (Total A—B+C+D)	630	201	+429

* Figures for December 1978 are provisional.
† Including Lancia 5.50 per cent Bonds (1962/1980).
‡ Increase includes new secured loans against investments in Southern Italy.
§ Increase is net result of operations including.
Hiving off of L123bn loans to Teksid Spa after conferment on this company of Fiat's steel-working assets and new loans (at a floating rate of interest) totalling L180bn.

Lack of new orders worries Sulzer

BY JOHN WICKS IN ZURICH

SULZER BROTHERS, the Swiss engineering company, plans to start limited short-time working in its gas turbine and diesel engine plants unless new orders are received in the next few weeks.

Describing the inflow of new business as "below expectations," it said that no improvement was expected in the near future.

The company said that the manufacture of certain products for stock could not be continued indefinitely, although the group was considering all possibilities for evening out work within the various group plants. A final decision on short time will be taken towards the end of next month, with the measure itself due to come into force during April.

At present, it is expected that some 5 per cent of the employees at the headquarters plant in Winterthur would have their working time cut by up to 20 per cent.

RCA cuts meet protest

BY GILES MERRITT IN BRUSSELS

BELGIUM'S caretaker Prime Minister, M. Paul Vanden Boeynants, is to be asked to push for an official inquiry into the planned closure of Radio Corporation of America's European semiconductor plant near Liege.

Representatives of the 438-strong workforce, which has been occupying RCA's Herstal factory since January 17, said that they hoped to meet M. Vanden Boeynants shortly to press for a full examination of the corporation's plan to close the plant on February 15.

Belgian trade union officials said that they intended to initiate discussion on the possibility of keeping the RCA plant open.

Set up in 1970 to serve the European market, the RCA semiconductor factory in the Liege suburb of Herstal has reportedly been losing money since 1974. RCA has said that these accumulated losses total BFr 200m ($6.9m), and the company last week told union representatives that its decision to close was "irrevocable."

The Herstal plant's workforce totalled 1,090 at one time, but in recent years it has been reduced to almost a third of that level.

The Belgian factory's labour costs are believed to make it seriously uncompetitive, and RCA is reported to be shifting some of the Herstal plant's activities to Malaysia.

Jaeger increases turnover

By Terry Dodsworth in Paris

JAEGER, the French vehicle instrumentation group which is now moving rapidly into the clock- and watch-making industry, pushed up consolidated turnover last year by 16 per cent to FFr 955m ($222m).

The figures, which include sales of Bayard, a clock-making company which was taken over last year, show strong growth overseas, where sales were up by 20 per cent to FFr 202m.

Jaeger, in which the West German company VDO has a 41 per cent stake, says the results have been slightly affected by a dip in sales of its tachograph manufacturing subsidiary, caused by the depression in the commercial vehicle market.

The figures follow the announcement last week of a co-operation agreement between Jaeger and the Yema International watch-making company, which was sealed by a share exchange between the two groups.

More French companies fail

PARIS — French corporate failures, including bankruptcies, legal settlements and liquidations, increased by 12.6 per cent last year to an unadjusted 15,589 from 13,842 in 1977, the Statistical Institute reported.

In December alone, the number of failures was up by 15 per cent to 1,453 from 1,264 a year earlier.

On a seasonally adjusted basis, the number of failures was up by 15.6 per cent in December to 1,381 from 1,195 a year earlier, and up by 12.7 per cent for all of 1978 to 15,577 from 13,824 in 1977.

The hardest hit sectors were transport, with an increase of 20.5 per cent, housing and public works, up by 17.2 per cent, and commerce, up 14.6 per cent.

AP-DJ

Japanese margin debt

MARGIN debts on three major stock exchanges rose by Y15.8bn ($80m) in the week to last Saturday, the Tokyo Stock Exchange announced. The outstanding balance of margin debts at the Tokyo, Osaka and Nagoya exchanges totalled about Y1,120bn as of Saturday.

Strong rise at Malayan Banking

BY WONG SULONG IN KUALA LUMPUR

AFTER-TAX profits of Malayan Banking Berhad, Malaysia's biggest banking group, rose by 42 per cent to 16.09m ringgit (U.S.$7.3m) for the first-half, and directors predict that the second half, ending in June, will be even better.

The group reported buoyant conditions, with deposits rising by 28 per cent to 3.92bn ringgits. More significant still, however, was the increase in loans and advances which rose by 39 per cent to 2.40bn ringgit.

The bank disclosed that under the new licensing requirements for merchant banks, the Government has ruled that a commercial bank holding shares in a merchant bank is not allowed to own shares in a second or third merchant bank.

As such, the group has decided to retain its 46 per cent holding in Aseambankers Malaysia Berhad (the most active of the Malaysian merchant banks) and is in the process of negotiating for the sale of its 25.2 per cent holding in Malaysia International Merchant Bankers Berhad, and its 20 per cent in Arab-Malaysia Development Bank.

During the first-half of the year, the bank established five more branches in Malaysia, bringing the total branches to 147.

An interim dividend of 7 per cent (6 per cent previously) has been declared.

Premier-Nampak in deal

BY JIM JONES IN JOHANNESBURG

STEPS HAVE been taken to deconsolidate the Rhodesian interests of the South African paper manufacturer Premier Paper, it has been announced here.

Premier's 51.8 per cent-owned Rhodesian subsidiary, Hunyani, has bought all the issued shares of Barlow Rand's 55 per cent-owned subsidiary, Nampak's Rhodesian operating subsidiaries—Amalgamated Packaging Industries (Rhodesia) and Rhodesian Packaging. The purchase price has been settled by an issue of 15.53m Hunyani shares to Nampak, increasing the latter's stake in the enlarged group to 73 per cent.

For many years Nampak has held a minority 26 per cent interest in Hunyani, and was the company's major customer for Kraft Paper. Nampak's policy is not to consolidate foreign subsidiaries, and dividend income is only taken to account when received. The immediate effect on Nampak's currently estimated consolidated taxed annual earnings of R20m ($23m) will be small. Meanwhile, Premier plans to maintain its existing shareholding in Hunyani, merely taking dividends into account. Its results in future will be less influenced by Rhodesian activities, easing the raising of additional capital in due course.

Paint works develoment in Malaysia

By Our Kuala Lumpur Correspondent

ICI PAINTS SDN. BERHAD, a member of the ICI group of companies in Malaysia, is to spend 10m ringgits ($4.5m) this year to expand its plant outside Kuala Lumpur to make it the biggest paint works in South-East Asia.

Some 8m ringgits is to be for expansion of production facilities and 2m ringgits for improvement in its technical and research centre. The plan has been approved by the Government.

The investment is aimed at providing sufficient capacity for ICI to meet demand for domestic and industrial paints in the 1980s, and to provide extra resin manufacturing capacity and improvement in quality.

Meanwhile, the Malaysian Paints Manufacturers Association, has called on the Government not to grant any more licences for new plants, as they said there was excess capacity in the industry.

* * *

DUFF Development Berhad, the formerly British-owned company now controlled by Malaysian Plantation owner, Senator Lee Loy Seng, increased its profits marginally for the year to August despite the drought, from 1.78m ringgits to 1.86m ringgits (U.S.$840,000).

However, the company is maintaining the 5 per cent dividend as for the previous year, with the result that its accumulated unappropriated profit now stands at 2.97m ringgits, compared with 1.89m ringgits.

Bank sale causes protest

BY L. DANIEL IN TEL AVIV

THE MARITIME Bank of Israel—a Government-owned institution—has been sold to the Eisenberg group of companies, which operates in Israel and abroad. Hitherto the bank has specialised in shipping transactions, but, it is understood, it is to operate in a broader field.

The sale is reported to have been made at $10.5m. A protest has already been lodged by an American investor, Mr. Robert Hecht, who reportedly lodged a bid earlier on, which was lower but which he was apparently willing to increase. He is himself in banking in the U.S. The sale is the first of a Government-controlled bank to be finalised. That of Tfachot Mortgage Bank (the largest of its kind in the country) has still not been concluded.

* * *

ZIM ISRAEL Navigation Company has not only weathered the slump in shipping of the past few years, but has utilised the period to acquire modern ships at favourable prices — placing it in a competitive position for the upswing which must come—it was stated here by the Zim general manager, Mr. Y. Rotem.

Mr. Rotem was speaking on the arrival of the company's latest acquisition, the 20,000 tonne multi-purpose freighter, "Rabidjan Star." This is one of four built in Japan for $11.25m each, which Mr. Rotem said was $5m less than current prices.

The vessel can carry general, bulk and containerised cargoes.

Zim's budget for 1979 is $550m dollars—10 per cent up on 1978. Zim intends to place orders this year for 15 new vessels at a cost of $200-250m.

INTERNATIONAL CAPITAL MARKETS

$100m loan for Tunisian project

BY FRANCIS GHILES

THE FINANCING of a number of projects in Tunisia and Algeria is being discussed in the international credit markets.

The financing of the Tunisian section of the Algeria-Italy gas pipeline is being arranged through a group of eight banks co-ordinated by Credit Lyonnais. Bank of America International is the agent. The $100m loan is split into two tranches, one of $65m for ten years and one of $35m for 12 years. Both have grace periods of 5½ years.

The first tranche carries a spread of ⅞ per cent for the first three years, rising to 1 per cent for the next four and 1 per cent for the final three. The second tranche carries a split spread of ⅞ per cent for the first seven years, rising to 1 per cent.

The borrower is Trans-Tunisia Pipeline Company (TTPC), a Jersey based subsidiary of SNAM, itself fully owned by the Italian state oil company ENI. The rights of TTPC are being assigned in favour of a common trustee for all the lenders under a throughput agreement signed with SNAM last December. In the throughput agreement, SNAM is committed to pay sufficient tariffs or payments in advance of furture price in order to cover the service of the debt.

An important part of the European network of gas pipe lines and the transportation system of Ekofisk have been financed under similar conditions.

Algerian borrowers are currently arranging a string of small loans. Credit Populaire d'Algerie is raising $45m for five years on a split spread of 1 per cent for the first two years, rising to 1⅛ per cent through a group of banks led by Inter-union-Banque. The loan is fully underwritten and expected in the market shortly.

The same Algerian bank is raising DM 50m for eight years with three years' grace and a spread of 1⅛ per cent throughout via a group of banks led by BHF Bank.

Sonatrach, the Algerian state oil and gas company is raising $25m for eight years on a split spread of 1⅛ per cent for the first four years rising to 1¼ per cent with four years' grace. This loan, which is being arranged by Marine Midland Bank, Midland Bank and Mellon Bank, which is also acting as agent, is guaranteed by Banque Exterieure d'Algerie.

Hungary faces stiffer terms for $300m facility

BY ANTHONY ROBINSON

THE NATIONAL Bank of Hungary's attempt to repeat last year's success and raise $300m through a syndicated loan facility on the finest terms is reportedly meeting considerable resistance. Only a handful of banks, mainly Japanese, and a Paris-based Soviet bank are believed to have expressed their willingness to participate up to now.

The Hungarians, through lead managers Morgan Grenfell, are seeking to raise the funds by a $300m seven-year tranche at ⅝ per cent over LIBOR and a 10-year, $100m tranche at ⅝ per cent for the first five years and ¾ per cent for the last five.

This represents an attempt to shave even further the already narrow margins obtained on the last $300m borrowing arranged by Continental Illinois last summer. This was eventually finalised as a seven-year facility, with split margins of ⅝ and ¾ per cent.

But European and American banks showed considerable reluctance to lend at such fine rates and this reluctance has been even stronger the second time round.

The loan has been fully underwritten by the management group so that the National Bank has been guaranteed its funds. But barring an unexpected flush of enthusiasm from European and American banks, it now looks as though the underwriters might well have to take up around 30 per cent of the total.

WORLD STOCK MARKETS

Wall St. maintains rise in active trading

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—90½% (89¾%)
Effective $1.9960 46¼% (45½%)

STOCKS CONTINUED higher in active trading with winners holding a three-to-two lead over losers.

Consolidated Edison picked up ⅜ to $24¼. It raised the dividend but reported lower fourth-quarter profits. Xerox said December quarter profits rose and forecast another good year in 1979 but it was unchanged at $58⅞.

Closing prices and market reports were not available for this edition.

Eastern Airlines slipped ⅛ to $9⅛. Its fourth-quarter profits fell. Active UAL Inc. lost 2 to $32. On the American Exchange, Friendly Frost fell 1½ to $9, its chairman defaulted on loans used to buy 29 per cent of the company's shares.

Georgia-Pacific rose ⅜ to $26¼ and Kimberley-Clark ⅜ to $45¼. Hilton Hotels announced a surge in the December quarter net but only added ¼ to 27¾.

In American stock exchange trading, Colonial Commercial dropped 4¾ to $11⅜. It was unable to reach a final agreement to acquire Aladdin Hotel Corp. Active Scientific-Atlanta rose 2¼ to $37.

Tokyo

Nikkei Dow index closed at an all-time high of 6,126.01, up 18.39 points from closing Monday. Trading volume totalled about 550m shares, up from about 380m shares.

Giant capital issues such as *Nippon Steel and Toshiba were* bought actively. Middle class blue chips and natural resources industry-related issues were also firm. Chemicals partly advanced.

Toshiba rose 5 to 164, Hitachi 2 to 280, Arabian Oil 400 to 2900 and Mitsui Mining 7 to 395.

Recently neglected populars also rose with Fuji Photo Film rising 3 to 710, Takeda Chemical 10 to 552, Fujitsu 8 to 486, and Matsushita Communication 40 to 1700. Real estates closed lower on profit taking. The second market closed higher with volume 29m shares.

Germany

Prices broadly higher led by machinery makers and stores.

Among machine makers, Linde was up DM6.30, KHD DM5.50 and GHH DM2.00 marks.

Banks also recovered from downtrend. Dresdner bank was up DM1.50, while Commerzbank and Deutsche Bank made lesser gains. Bayerische Vereinsbank gained DM3.00.

Stores were strong gainers. Kaufhof up DM4.50 and Karstadt rising DM2.00. Autos recovered as well. Daimler up DM2.50 and VW gaining DM2.00.

Paris

Shares mixed with a majority showing small losses. Trading slightly more active and the market indicator dropped 0.05. A 12.6 per cent rise in French corporate failures last year dampened investors' enthusiasm.

A feature was 10 per cent. rise *in Cie du Nord to 30 francs.*

Switzerland

Prices drifted lower in moderate trading. Oerlikon-Buehrle fell on sustained selling in financials, while Interfood B and Motor Columbus were among the few which gained. Small losses predominated in Banks and Insurances.

Brussels

Trading quiet. Lambert, Asturienne, Union Miniere, FN, Acec and CBR rose, while Traction, Clabecq and UCB fell.

In foreign stocks, Petrofina and American Petrofina fell, but Canadian Petrofina rose.

Hong Kong

Prices closed higher after increased trading. The Hang Seng index gained 5.03 points to close at 536.28.

Gainers included Hong Kong Bank, up 10 cents to HK$18.60, Hutchison Whampoa, up 10 cents to HK$4.40, Jardine, up 30 cents to HK$12.10, Swire Pacific "A" rose 15 cents to HK$8.65, and Wheelock "A," up 15 cents to HK$3.025.

Amsterdam

Prices were mixed in very light trading with the ANP-CBS general index remaining unchanged at 93.8.

Most investor attention seemed to be keyed on the outcome of the Dutch Government's new *10-year bond issue which carries* a coupon of 8.25 per cent and was scheduled to be priced last night.

In the equities sector, a total 107 Dutch issues closed higher, 74 lower and 73 were unchanged. International issues gave a mixed performance with Royal Dutch Shell losing 10 cents to close at 128.20, Unilever remaining unchanged at 124.90 and Philips posting a slight 10 cent gain at 24.70.

Milan

Dealings were moderate after yesterday's sharp gains.

Australia

Most high-flying industrial and mining leaders turned easier in moderately active trading but there was some strength in the second line of industrials. Scheduled gold auctions appeared to trigger selling in minerals. The losers were the copper stocks. Uraniums drifted down with the coal mining stocks.

In oils, copper basin stocks turned easier but OAG and Ampol Ex found ready buyers.

Among industrials, BHP and the banking leaders came under light selling pressure, and retailers turned mixed.

Properties were fairly firm, but some soft spots developed in building material suppliers and in engineering.

Among Minings Bougainville eased 7 cents, MIM 5, Mt Lyell 2 and BH South 1, while Central Norseman rose 10 to A$17.30 and Pacific Copper 2 to 95 cents.

BHP fell 12 cents, uraniums eased and banking issues were mixed, while retailers were firmer.

Revision of Japan's issue terms urged

TOKYO — The Japanese Government should revise the *issue terms of national bonds* soon, because there is a discrepancy between yields on new issues and those in the secondary market, Mr. Takuji Matsuzawa, president of the Federation of Bankers' Associations said here.

The revision should be made by raising the coupon rate and or lowering the issue price, he argued.

The Japanese Government's decision — announced yesterday — to cut national bond flotation in February to about Y100bn ($505m) from the originally projected Y400bn was appropriate, but a long-term programme for national bond management would be required to place the bond market on a stable basis.

The Japanese Finance Ministry told underwriters it would cut its national bond issue in February to strengthen secondary market prices of national bonds.

If the measure did not improve the secondary market price, which is currently slightly below 97 per cent, compared with the issue price of 99.50 per cent for the 6.1 per cent Japanese Government Bond, the Ministry might consider changing the issue terms of national bonds, the Underwriters Association said.

Reuter

NEW YORK

Stock	Jan. 22	Jan. 19
Abbott Labs.	34¾	35⅛
AM Inernational.	24½	23⅞
Aetna Life & Ca.	40¾	40⅝
Airproducts	26	26
Alcan Aluminium	36¾	36
Alcoa	49¾	50
Alleg. Ludlum	17⅛	17

Stock	Jan. 22	Jan. 19
Corning Glass	57¼	57½
CPC Int'rn'tiona	50⅛	50½
Crane	28	28½
Crocker Natl	27½	27⅞
Crown Zellerb'h.	33	32⅝
Cummins Engine	36	36
Curtiss Wright	15⅜	15⅜
Dana	29⅛	29¼

Stock	Jan. 22	Jan. 19
Johns Manville	24⅛	24¼
Johnson Johnson	76⅝	76½
Johnson Control.	27¼	27
Joy Manufacturg	31⅞	32
K. Mar Corp	25⅝	25½
Kaiser Alumini'm	18¼	18⅛
Kaiser Industries	2⅛	2⅛
Kaiser Steel	21⅝	21½
Kaneb Services	13¾	13⅞

Stock	Jan. 23	Jan. 19
Revlon	53½	53½
Reynolds Metals.	35⅞	35½
Reynolds R.J.	56	55¾
Rich'son Merrell.	23⅝	23⅞
Rockwell Inter	36⅝	36½
Rohm & Haas	37½	36⅞
Royal Dutch	64⅝	64¾
RTB	12½	12⅝
Ross Togs	10½	10½

Stock	Jan. 22	Jan. 19
Woolworth	20¾	21
Wyly	5¼	5¼
Xerox	58⅞	58⅞
Zapata	13½	13
Zenith Radio	14⅞	14⅝
U.S. Treas.4% '80	+94⅝	;94⅜
USTreas4¼%75/85	+78½	+78⅛
U.S. 90-day bills.	9.31	9.46%

CANADA

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO

JOHANNESBURG

MONDAY'S ACTIVE STOCKS

GERMANY

TOKYO

AMSTERDAM

BRUSSELS/LUXEMBOURG

SWITZERLAND

COPENHAGEN

MILAN

VIENNA

AUSTRALIA

PARIS

STOCKHOLM

BRAZIL

OSLO

JOHANNESBURG

SPAIN

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

New EEC outlets for UK farm exports

By Christopher Parkes

GREECE, SPAIN and Portugal, the three applicants for Common Market membership, will provide British exporters with "interesting" outlets for farm machinery, horticultural equipment, meat and livestock, according to the British Agricultural Export Council.

Demand for meat — beef in particular — is expected to increase, offering outlets first for meat but mainly for breeding stock and techniques to enable the three new members to aim at greater self-sufficiency.

They will also be keen to expand their sales of processed and fresh fruit and vegetable products in the existing Community, and while marketing skills will have to be improved, there will also be a spin-off demand for processing equipment.

Irrigation will also be in demand, the BAEC says, suggesting that Greece in particular will be interested in intensifying horticultural output.

The Greeks are also expected to expand glasshouse growing to take advantage of the high prices paid in northern Europe for out-of-season crops.

All three countries tend to have many small farms. Land development and consolidation of agriculture are expected to win priority status in national policies.

* "The Enlargement of the EEC," BAEC, 35 Belgrave Square, London, SW1. £25 a copy to members, £35 to non-members.

Indonesia says no to Japanese bauxite plan

TOKYO — The Indonesian Government's minerals corporation, Aneka Tambang, has rejected a compromise proposal from Japanese aluminium smelters for their imports of bauxite, the Japan Aluminium Federation said here.

But Aneka Tambang, which wants a 20 per cent price increase for bauxite sales to Japan, has agreed to reopen negotiations before July on pricing and volume.

The Japanese compromise involves raising import prices by 10 per cent and cutting shipments by 20 per cent to 800,000 tonnes in 1979. — Reuter.

Farm price delay expected

BY MARGARET VAN HATTEM IN BRUSSELS

MR. FINN Olav Gundelach, EEC Agriculture Commissioner, is expected to advise further delay on this year's farm price proposals, due to be announced today after the Commission's weekly meeting.

Despite optimism expressed by France and Germany here after a private ministerial meeting on Monday night, aimed at resolving the current dispute over farm pricing arrangements, Mr. Gundelach is believed to consider that little useful progress was made.

Discussion of the issue is likely to dominate an informal meeting of farm ministers in Berlin later this week. It is suggested that proposals in the prices package, which covers both the support prices fixed in units of account and the "green" rates used to convert them into national currency may be modified to reflect these discussions.

This has raised fears in some quarters that Mr. Gundelach, who apparently considers the two issues too closely linked to be presented separately, may be having second thoughts about the intended price freeze. But sources close to him deny this.

Meanwhile Mr. John Silkin, the British Agricultural Minister, has decided not to attend the meeting in Berlin owing to the industrial situation in Britain. Mr. Ted Bishop, Minister of State for Agriculture, will go to Berlin instead.

France, as President of the Council of Ministers, has scheduled a formal meeting of Agriculture Ministers in Brussels on February 5-6 to discuss the 1979-80 farm price proposals. But Mr. Silkin's absence from the Berlin talks could further delay presentation of the proposals.

The Germans appear anxious to resolve the agrimonetary issue, and the related problem of compensating German farmers for any income losses which might follow quickly before it becomes tangled up with British demands for a fundamental review of the Common Agricultural Policy.

At their Monday night meeting with the French, they are believed to have discussed several options, including the possibility of bigger tax exemptions, and of direct national subsidies to be paid by the German Government.

But the talks do not appear to have produced any sort of deal, nor to have touched on the problem of agricultural surpluses.

Britain, although on the sidelines of the current dispute, is particularly concerned by the threat of bigger farm surpluses implied by the French and German demands. It would oppose any subsidies to German farmers from the EEC budget, and appears reluctant to contemplate nationally financed subsidies without some form of curb on production, particularly in the dairy sector.

At this stage, hopes that the issue can be resolved in time to allow introduction of the European monetary system before the end of the farm price review—which is likely to take several months—are fading.

Producers lift cost of zinc

By John Edwards, Commodities Editor

BRITAIN'S DOMESTIC zinc producer, A.M. and S. (Europe), confirmed yesterday it was raising its base price for zinc from $720 to $760 a tonne.

This follows similar increases in the European zinc price announced earlier by other producers, led by Pennaroya of France. The sterling price is adjusted on a monthly basis according to variations in the sterling/dollar parity rate.

Metallgesellschaft, of West Germany, also announced that it was raising its price to $760. Earlier there had been some doubts about whether the group would increase its price in view of poor demand for zinc in West Germany at present.

However, the decline in the value of the dollar against "strong" currencies has meant that returns to producers have declined in real terms and much of the increase is to compensate for this.

In the U.S. both Amax and St. Joe have raised their domestic zinc prices by one cent to 35.5 cents following a similar increase by Asarco last week.

U.S. may pay more to commodity groups

BY OUR COMMODITIES STAFF

WASHINGTON — The U.S. State Department requested more than $29m in the 1980 fiscal year Budget, starting next October 1, to cover the U.S. share of financing five international commodity organisations, reports Reuter.

It sought an increase in the contribution to the UN Food and Agriculture Organisation to $28.6m compared with $21m previously. Increased contributions have also been requested for the International Coffee Organisation at $433,000, against $409,000 previously; International Cotton Advisory Committee $59,000 ($50,000); and International Rubber Study Group $22,000 ($20,000). The Lead and Zinc Study Group contribution is unchanged at $21,000.

The Department is considering making a special request to Congress for $160,000 to cover the U.S. share of funding the International Sugar Organisation.

The Budget proposals include funding for at least 4m tonnes of wheat reserve stocks as part of the U.S. share under the International Wheat Agreement being negotiated in Geneva.

U.S. Department of Agriculture officials noted that about 1.5m tonnes of wheat are already held in Government stores and would be used for the reserve stocks. Thus the U.S. would have to buy a further 2.5m tonnes.

Outlays on the adjustment of the amount of raw materials held in Government stores and would be used for the reserve stocks. Thus the U.S. would have to buy a further 2.5m tonnes.

Outlays on the adjustment of the amount of raw materials held in stockpile to meet current requirements are estimated at $180m in the 1980 fiscal year. But receipts from sales are forecast at $238m.

The Budget proposals include plans for an increase in the funds for the Commodity Futures Trading Commission being raised by $450,000 to $16.3m to provide for enforcement of regulations and market surveillance.

Oil money for Orkney farmers

By Our Commodities Staff

ORKNEY PLANS to spend some of its North Sea oil revenue in assisting local farmers and fishermen. A permanent Council sub-committee has been formed to consider applications.

Sir Henry Plumb gives crisis warning to farmers

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE NATION is in crisis and no one knows what to do from one hour to the next, said Sir Henry Plumb in his opening speech to the National Farmers Union annual general meeting in London yesterday.

Farmers could always be relied on to fill any gap left by a fall in supply. But even their best efforts, he inferred, would be brought to nought by undisciplined pickets and a lack of resources due to the Government's refusal to devalue the Green Pound to a meaningful extent.

Sir Henry was particularly pessimistic over the effects on Britain of a possible realignment of green currencies. He attacked the proposal that there should be equal devaluations for all countries with weak currencies. He pointed out France and Italy had green currency gaps of 12 and 18 per cent respectively against the British gaps of almost 30 per cent.

There was a danger, he said, that the 1979 European price proposals would be unfair to British farmers, and this would contain the seeds for a political disaster. The National Farmers Union had supported UK membership of the EEC from the outset. It would be unthinkable if, because of an unacceptable 1979 price review, farmers had second thoughts.

The latter part of his speech was in reply to a resolution demanding an immediate devaluation of the Green Pound and an insistence from the floor that the cheap food policy should be killed off before farming production fell to a serious degree.

This was all good predictable stuff. But then the ground was somehow cut away from the forecasts of gloom by complains about the standards imposed on arbitrators when fixing rents. Tenants were being intimidated—by threats of arbitration—into agreeing to rent increases far higher than they could afford, it was claimed.

The basis for these arbitration awards are the rents tendered for the few farms offered, which landlords used as a stick to bully their tenants. These rents, successive speakers maintained, were artificial, a form of key money. The real answer should be based on a practical assessment of the productivity of the land.

This is a system adopted in France, and one that landlords there don't like very much. It would be very difficult to implement by statute in this country.

The inherent contradiction in the demand for Green Pound devaluation and for rent legislation to avoid destitution, is one that few attending the meeting seemed to appreciate.

● Asked to comment on Sir Henry's warning on an unfair farm price review for Britain, Mr. John Silkin, Minister of Agriculture suggested it would be better to wait and see what was actually proposed instead of relying on rumour. Mr. Silkin also did not share Sir Henry's anxieties about farm supplies.

Malaysia may buy Thai rice

BANGKOK — Malaysia is expected to order 100,000 tonnes of Thai rice in the near future, director general of the Thai Foreign Trade Department Bajr Issarasena said yesterday.

He said the director general of the Malaysian Rice Department, Yang Amaridin Kamaruddin, will come to Bangkok between January 25 and 28 on a rice buying mission.

Last year Malaysia bought about 200,000 tonnes of Thai rice.

More UK sugar beet processed

Financial Times Reporter

ABOUT 6.4m tonnes or just over 90 per cent of the UK sugar beet crop was delivered by January 20, a spokesman for the British Sugar Corporation said yesterday. The crop total is expected to reach 7.1m tonnes.

Of the 700,000 tonnes still waiting to be delivered, 550,000 are still in clamps with the remaining 150,000 tonnes in the ground.

The loss of sugar yield due to the severe weather is as expected at this time of year but, the spokesman added, beet harvested now is in a delicate condition and needs to be processed within a day or two of picking.

The Corporation expects to be able to get in all the beet for processing, though because of the national transport dispute the company is moving out only about 50 to 60 per cent of its industrial sugar and 30 to 40 per cent of retail sugar.

From Washington meanwhile, Reuter reported that sugar beet growers in 14 major producing states, accounting for about 95 per cent of 1978 output, said they intended to reduce their 1979 acreage by about 11 per cent from last year to 1.11m acres, the Agriculture Department said.

Europe eats beef 'mountain'

BY CHRISTOPHER PARKES

STOCKS OF beef in the European Community's intervention stores fell 42 per cent last year to 210,000 tonnes as production slipped and traders drew on frozen reserves.

At the same time the EEC's scheme to reduce the number of dairy cows and cut butter and milk surpluses led to a fall of 700,000 head in the European dairy herd.

Intervention stocks of beef fell steadily throughout the year. Sales of meat bought in under support buying schemes were double 1977 levels at 341,000 tonnes.

Only in Ireland and Britain did purchases into intervention exceed sales out. But even there the difference was only marginal: Irish purchases of 86,000 tonnes were virtually offset by sales from stock of 85,000 tonnes.

In Britain sales totalled 10,000 tonnes during the year compared with an intake of 16,000 tonnes.

End-of-year stocks were highest in West Germany at 75,000 tonnes, Ireland held 59,000 tonnes and Britain 10,000. France, once the largest contributor to the Community beef "mountain" had a mere 6,000 tonnes after a year of low fresh beef production.

During the year beef prices in the UK rose substantially, particularly prices of best cuts. According to the Meat and Livestock Commission topside now costs £1.44 a pound compared with £1.20 a year ago.

Sirloin is now £1.70 a pound compared with £1.40, and rump steak has gone up 35p a pound to £1.96.

When it introduced the schemes for the non-marketing of milk and dairy conversions—farmers were to be paid to stop sending milk to dairies and to convert their dairy herds to beef—the Community aimed to remove 1.3m cows from the EEC herd.

Estimates show that last year it managed to reduce numbers by 700,000 head. The schemes were most popular in West Germany, where the total number of cows was cut by 280,000: a reduction in the national herd of more than 5 per cent.

In the UK only 48,000 cows were taken out of production—1.5 per cent of the national herd.

Even though the number of dairy cows in the Nine has been reduced by some 2.2 per cent, the cut is unlikely to have much visible effect on the European dairy surplus.

Most of the stock killed or converted to producing calves for beef were in any case low-yielders. It is expected that when the Commission reviews 1978, milk production will have risen again.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Lower on the London Metal Exchange. Forward metal moved erratically on the pre-market, opening at £957, then easing to £950 on renewed profit-taking before rallying to £966. However, in the morning rings the price dipped £961 at which level it traded for most of the day until the late kerb where it picked up to close at £962.5. Turnover: 17,300 tonnes.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
Wirebars	£	£	£	£
Cash	944.5-5.5	[illegible]	947-.8	[illegible]
3 months	962.5-3	[illegible]	963.5-4	[illegible]
Settlem't	945.5	[illegible]		
Cathodes				
Cash	931.5-2.5	[illegible]	932-3	[illegible]
3 months	949.5-9	[illegible]	950-1	[illegible]
Settlem't	932.5	[illegible]		
U.S. Smt.			*78-5	

Amalgamated Metal Trading reported that in the morning cash wirebars traded at [illegible]. Kerb: Wirebars, three months [illegible]. Afternoon: Wirebars, three months [illegible]. Kerb: Wirebars, three months [illegible].

TIN—Down again following a further fall in the Penang market. Forward metal opened lower at £6,760 and quickly fell away to £6,700 owing to heavy hedge selling and lack of buying interest. These levels brought out bear covering and by the close this covering coupled with covering against physical business done in the U.S. saw the price recover to close at £6,740. Turnover: 1,055 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	6750-70	[illegible]	6770-85	[illegible]
3 months	6750-60	[illegible]	6740-60	[illegible]
Settlem't	6770	[illegible]		
Standard				
Cash	6750-60	[illegible]	6770-80	[illegible]
3 months	6700-5	[illegible]	6720-5	[illegible]
Settlem't	6760	[illegible]		
Straits E.	$1760	[illegible]		
New York				

Morning: Standard, cash £6,770, three months [illegible]. Kerb: Standard, three months [illegible]. Afternoon: Standard, cash [illegible], three months [illegible]. Kerb: Standard, three months [illegible].

LEAD—Easier. Forward metal traded between £464 and £470 in fairly routine dealings prior to closing at £468 on the late kerb. Turnover: 10,625 tonnes. Morning: [illegible]. Kerb: [illegible]. Afternoon: Three months £468, 68.5, 69, 69.5, 69.75. Kerb: [illegible].

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	455.5-6.5	[illegible]	469-.500	[illegible]
3 months	466-7	[illegible]	469.5-.75	[illegible]
Settlem't	456.5	[illegible]		
U.S. Spot			*40-42	

ZINC—Lower in line with copper and lead. After opening at £384 forward metal came under pressure from profit-taking which depressed the price to £378 prior to a close of £378 on the late kerb. Turnover: 6,175 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	367.5-8	[illegible]	370-.5	[illegible]
3 months	380-1	[illegible]	382-.5	[illegible]
S'ment	368	[illegible]		
Prim.west			*34.5-36	

Morning: Cash £367.5, three months [illegible]. Kerb: Three months [illegible]. Afternoon: [illegible]. Kerb: Three months [illegible].

ALUMINIUM—Gained ground following influential buying from one quarter which took forward metal up from £637.5 to a day's high of £642 prior to a close of £641.5. Turnover: 3,025 tonnes.

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	638.5-8.5	[illegible]	639-40	[illegible]
3 months	639.5-40	[illegible]	640-1	[illegible]

Morning: Cash £639, three months £638.5, 39.5. Afternoon: Three months £639.5, 40. Kerb: Three months £640, 41, 42, 41.5.

SILVER

Silver was fixed 2.85p an ounce lower for spot delivery in the London bullion market yesterday at 314.0p. U.S. cent equivalents of the fixing levels were: spot 627.6c, down 5.5c; three-month 639.9c, down 5.7c; six-month 651.8c, down 5.7c; and 12-month 675.1c, down 5.5c. The metal opened at 314¼-315¾p (629-630½c) and closed at 314¾-315¾p (627½-629c).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. close	+ or −
Spot	314p	−2.85	314.8p	−2.8
3 months	322.1p	−3.05	322.95p	−2.8
6 months	329.7p	−3.05	—	......
12 months	344.2p	−3.55	—	......

LME—Turnover 117 (257) lots of 10,000 ozs. Morning: Three months 322.6, 2.7, 2.8, 2.6, 322, 1.9, 1.8, 1.7, 1.8, 1.6. Kerb: Three months 321.6, 1.8, 1.9. Afternoon: Three months 323.2, 323, 2.8, 2.9. Kerb: Three months 322.8, 2.9, 323.

COCOA

During a featureless day cocoa futures remained steady in thin trading conditions before Commission House selling late in the day caused prices to close at the day's lows, reported Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
March	1789.0-90.0	−15.0	1817.0-1790
May	1830.0-31.0	−15.5	1854.0-1850
July	1850.0-51.0	−18.5	1871.0-1850
Sept	1880.0-85.0	−25.0	1893.0-1870
Dec	1888.5-90.0	−17.5	1910.0-1890
March	1900.0-15.0	−17.5	1935.0-1915
May	1905.0-26.0	−21.0	1925.0-1920

Sales: 1,640 (1,641) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price for Jan. 22 162.55 (161.35); indicator price for Jan. 23: 15-day average 170.12 (171.28); 22-day average 172.34 (173.05).

COFFEE

ROBUSTAS failed to follow through on the upside after Monday's gains as renewed Commission House buying was met by mixed selling throughout the morning, Drexel Burnham Lambert reported. The pattern continued throughout a quiet afternoon session but selling on the close forced values lower as New York C contract eased. Final levels were 5-25 lower with some pressure coming into dealings in spot January.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
January	1717-1718	−28.5	1742-1715
March	1397-1398	[illegible]	[illegible]
May	1275-1276	−5.0	1293-1275
July	1217-1219	[illegible]	[illegible]
September	1169-1170	−5.0	1181-1169
November	1135-1140	[illegible]	1145-1140
January	1105-1120	−12.5	1120-

Sales: 2,511 (5,815) lots of 5 tonnes.

ICO indicator prices for Jan. 22 (U.S. cents per pound): Colombian Mild Arabicas 187.00 (187.50); unwashed Arabicas 136.00 (same); other Mild Arabicas 128.17 (128.67); Robustas ICA 1976 134.00 (same); Robustas ICA 1968 134.50 (same). Daily average 131.50 (131.45).

GRAINS

LONDON FUTURES (GAFTA)—Grains opened unchanged on old crop, to 10p higher on new crop wheat. In very thin volume the wheat market remained steady to close 10-20p higher on old crops to 25p up on the new crops. Barley saw slightly more trade and also remained steady to close 40-50p up on old crops to 15-20p higher on new crops. Acli reported.

M'nth	WHEAT Yesterday's close	+ or −	BARLEY Yesterday's close	+ or −
Jan.	93.85	[illegible]	87.90	[illegible]
Mar.	96.50	[illegible]	89.60	[illegible]
May	90.30	[illegible]	84.30	[illegible]
Sept.	93.50	[illegible]	87.35	[illegible]

Business done—Wheat: March 93.70-93.50, May 98.50-98.20, Sept. 90.30-90.20, Nov. 93.30-93.10. Sales: 94. Barley: March 87.20-86.85, May 89.90-89.45, Sept. 84.15-84.15, Nov. 87.25-87.25. Sales: 100.

HGCA—Location ex-farm spot prices. Feed barley: NE England 83.40, Berks and Oxon 82.50.

The UK monetary coefficient for the week beginning Monday, January 29 (based on HGCA calculations) is expected to remain unchanged.

IMPORTED—Wheat: CWRS No. 1 13½ per cent unquoted. U.S. Dark Northern Spring No. 2 14 per cent Jan.-Feb.-March 91.25 transhipment E. Coast April-May 87.00 Tilbury. U.S. Hard Winter 13½ per cent Jan. 87.25, transhipment E. Coast. EEC unquoted. Maize: U.S.-French Jan. and Feb. 110.0 transhipment E. Coast. S. African White Jan. 69. S. African Yellow Jan. 69. Barley: English feed fob Feb. 87.50, April-June 92 transhipment E. Coast.

RUBBER

ABOUT UNCHANGED opening on the London physical market. Little interest throughout the day, closing quiet. Lewis and Peat reported the Malaysian godown price was 235 (same) cents a kilo (buyer, February).

No. 1 R.S.S.	Yesterday's Close	Previous Close	Business Done
Feb.	55.85-55.90	56.05-56.10	—
Mar.	56.65-56.78	56.90-56.95	56.85
Apr-Jne	57.65-57.70	57.95-58.00	57.75-57.70
Jy-Sept.	59.80-59.90	60.05-60.10	60.00-58.60
Oct-Dec	61.90-61.95	62.15-62.20	62.10-61.90
Jan-Mar	64.00-64.05	64.30-64.35	64.00
Apr-Jne	66.10-66.15	66.40-66.45	66.20-66.10
Jy-Sept.	68.25-68.30	68.45-68.50	68.30
Oct-Dec	70.20-70.30	70.35-70.40	70.35-70.25

Sales: 1 (16) lots of 5 tonnes; 82 (218) lots of 15 tonnes.

Physical closing prices (buyers) were: Spot 55.25p (55.5); Feb. 57.25p (57.5); March 57.5p (57.75).

SOYABEAN MEAL

	Yesterday Close	+ or −	Business Done
	£ per tonne		
February	130.50-31.0	−2.50	130.50-30.00
April	126.80-27.0	−1.30	127.00-26.70
June	124.70-25.0	−0.85	125.50-24.50
August	124.50-15.7	−6.25	
October	123.00-27.0	−1.50	—
December	120.00-25.0	−1.50	—
February	120.50-25.5	−1.25	—

Sales: 60 (132) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICES (raw sugar £93.00 (£94.00) a tonne cif for Jan.-Feb. shipment. White sugar daily price was fixed at £96.00 (same).

The market opened around £1.00 below overnight kerb closing levels and in quiet, thin conditions fluctuated in a narrow range. However, by mid-afternoon following higher quotations in New York combined with some trade buying net gains of some £1.30 were recorded, reported C. Czarnikow.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
March	102.30-02.45	102.25-02.50	102.60-01.00
May	105.25-05.40	105.20-05.30	105.50-04.00
Aug	109.10-09.20	109.15-09.25	109.00-08.00
Oct.	112.30-12.75	112.15-12.25	112.25-11.25
Dec	114.50-15.00	114.90-15.15	114.75
March	119.75-20.25	119.80-20.25	119.95-19.00
May	122.00-25.00	122.80-22.50	—

Sales: 893 (1,470) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £264.85 (same) a tonne for home trade and £165.00 (£166.00) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for Jan. 22. Daily 7.52 (7.54); 15-day average 7.63 (7.64).

WHITE SUGAR—Close (in order buyer, seller, business, sales). April 99.00, 99.25, 99.25-98.50, 26; July 104.75, 106.00, 105.50-104.25, 15; Sept. 110.75, 111.75, nil, nil; Nov. 116.00, 116.50, 116.00, 5; Feb. 123.00, 123.50, nil, nil; April 126.50, 130.50, nil, nil; July 130.00, 135.50, nil, nil. Sales: 46.

WOOL FUTURES

LONDON GREASY—Close (in order buyer, seller). March 210.0, 215.0; May 213.0, 218.0; July 217.0, 225.0; Oct. 230.0, 238.0; Dec. 231.0, 240.0; March 234.0, 244.0; May 235.; July 236.0, 247.0. Sales: Nil.

NEW ZEALAND CROSSBREDS—Close (in order buyer seller). March 180.0,

PRICE CHANGES

Price in tonnes unless otherwise stated.

	Jan. 23 1979	+ or −	Month ago
Metals			
Aluminium	£710		£710
Free market (cts)	$1,240/55		[illegible]
Copper cash W Bar	£947.5	−5.5	[illegible]
3 months do. do.	£963.5	[illegible]	[illegible]
Cash Cathode	£932.5	[illegible]	[illegible]
3 months do. do.	£950.5	[illegible]	[illegible]
Gold Troy oz.	$233.5	[illegible]	[illegible]
Lead cash	£469.5	[illegible]	[illegible]
3 months	£469.75	[illegible]	[illegible]
Nickel	[illegible]		[illegible]
Free Market (c)(lb)	$1.99 / 1.73		$1.65 / 1.80
Platinum troy oz.	£162		£156
Free Market	£183.85	[illegible]	[illegible]
Quicksilver	[illegible]		[illegible]
Silver troy oz.	314p	−2.85	[illegible]
3 months	322.1p	−3.05	[illegible]
Tin cash	£6,775	[illegible]	[illegible]
3 months	£6,722.5	[illegible]	[illegible]
Tungsten (cif)	$144.28		[illegible]
Wolfram 22.04 cif	[illegible]		[illegible]
Zinc cash	£370.25	[illegible]	[illegible]
3 months	£382.25	[illegible]	[illegible]
Producers	$760		[illegible]
Oils			
Coconut (Phil)	$930r		$955
Groundnut			
Linseed Crude	£361		£336
Palm Malayan	$627.5s		$610
Seeds			
Copra Philip	$680		$612.5
Soyabean (U.S.)	$293.9s		$289
Grains			
Barley			
Home Future	£89.8	......	£85.5
Maize			
French No. 3 Am	£110q	......	£106.5
Wheat			
No. 1 Red Spring	‡		£96
No. 2 Hard Winter	£87.25q	−0.5	£87.75
English Milling †	£93.5s	......	£93.5
Other Commodities			
Cocoa Shipment	£1,881	−16.0	£1,999
Future May	£1,850.5	−15.5	£1,848.5
Coffee Future			
Mar.	£1,397.5	−16.5	£1,258.5
Cotton 'A' Index	75.75p	......	78.55c
Rubber kilo	55.25p	−0.25	57.25p
Sugar (Raw)	£93	−1.0	£101
Wooltops 64s (kilo)	268p	......	271p

* Nominal. † New crop. ‡ Unquoted. n Jan.-March. q Jan.-Feb. r Feb.-March. s March. t Feb. x per ton. z Indicator.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides [illegible]. Veal: [illegible]. Lamb: [illegible]. Pork: [illegible]. Partridges: Young (each) 180.0 to 200.0. Pheasants: Best (per brace) 300.0 to 300.0.

MEAT COMMISSION—Average fatstock prices at representative markets on January 23. GB cattle [illegible]. UK sheep [illegible]. GB pigs [illegible].

COVENT GARDEN: Prices in sterling per package except where otherwise stated. Imported Produce: Lemons—[illegible]. Cyprus: Trays 4.50-5.50, Boxes 80/180s 4.50-8.00; Spania: Trays 30/40/45 2.40-2.50, boxes 4.50-5.20. Oranges—Spania: Navel/Navelines 3.50-4.20; Egyptian: Baladi 2.50-2.80; Israeli: Shamouti 3.70-4.80. Sevilles—Spanish: 5.00. Clementines—Cyprus: 10 kilos 3.20-3.60; Moroccan: 3.80-4.20. Satsumas—Spania: Trays 2.60-3.20. Grapefruit—Texas: Red Blush 4.50-4.60; Florida: 4.60; Cyprus: 2.60-3.60; Israeli: Jaffa 40/88 3.55-4.05. Apples—French: Stark Crimson 40-lb 138/163s 4.40-4.80, Golden Delicious 20-lb 72s 2.20-2.60, 84s 1.90-2.00, 40-lb 138/175s 3.80-4.40, jumble pack, per pound 0.08. Granny Smith 20-lb 72s 2.60, 84s 2.00-2.10, large boxes 138/150/163 4.60-5.00, jumble pack 55/60mm per pound 0.07. Peaches—S. African: 23/28s 2.00-2.30. Apricots—S. African: Per pound 0.45. Bananas—Jamaican: Per pound 0.15. Grapes—Spanish: Almeria 2.50-2.70, Negri 3.30-3.50; Californian: Red Emperor 20/23-lb 7.00. Avocados—Israeli: 3.80-4.00. Melons—Spanish: Green 5.00, 15 kilos boxes 12/15s 12.00; Peruvian: Green 12/15 10.00. Onions—Spanish: 5.70; Dutch: 2.00-2.40. Tomatoes—Spanish: 1.00-2.50; Canary: 3.20-3.80. Cucumbers—Canary: 10/16s 2.20-2.60; Spanish: 10/16 2.00-2.20. Cauliflowers—French: 24s 10.50. Cabbages—Calabrese: 3.00. Fennel—Italian: 2.50.

English Produce: Potatoes—Per 25 kilos 1.50-2.10. Lettuce—Per 12 round 1.60-1.70. Mushrooms—Per pound 0.45-0.50. Apples—Per pound Bramley 0.05-0.12; Cox's Orange Pippin 0.06-0.15; Spartan 0.08-0.10. Pears—Per pound Conference 0.08-0.14, Comice 0.18-0.20. Cabbages—Per net 1.50-1.80. Beetroot—Per 28-lb 0.90. Carrots—Per 28-lb 0.80-1.20. Onions—Per bag 1.80-2.00. Rhubarb—Per pound 0.20. Swedes—Per 28-lb 1.20. Turnips—Per 28-lb 1.00-1.20. Parsnips—Per 28-lb 1.30-1.50. Sprouts—Per pound 0.10-0.14.

★

HIDES. Birmingham—Slightly weaker. Second clear ox: 31/35.5 kilos 76p a kilo; 26/30.5 kilos 80.1p; 22/25.5 kilos 90p. Light cows 88.4p a kilo.

★

GRIMSBY FISH—Supply moderate, demand moderate. Prices at ship's side (unprocessed) per stone: Shelf cod £4.00-£4.60, codlings £3.20-£3.70; large haddock £4.80-£5.20, medium £4.00-£4.50, small £3.00-£4.20; large plaice £4.40-£4.90, medium £4.20-£4.40, best small £4.20-£4.60, medium skinned dogfish £6.50; large lemon soles £10.50, medium £9.00; reds £3.70; saithe £1.60-£2.40.

★

LIVERPOOL COTTON—Spot and shipment sales in Liverpool amounted to 290 tonnes, bringing the total for the week so far to 579 tonnes. Further operations were reported, mostly in African and South American varieties. Restraints on deliveries constituted a problem but most spinners managed to keep working.

AMERICAN MARKETS

NEW YORK, Jan. 23.

Cocoa—March 157.50 (158.60), May 159.25 (159.20), July [illegible].

Copper—Jan. 73.85 (74.10), Feb. [illegible].

[illegible]

CHICAGO, Jan. 23.

[illegible]

EUROPEAN MARKETS

ROTTERDAM, Jan. 23.

Wheat—U.S. No. 2 Dark Hard Winter 13.5 per cent, mid-Jan./mid-Feb. [illegible]. March $156. U.S. Hard Winter wheat ordinary Feb. $155, March $155.

Maize—U.S. No. 3 Corn Yellow April $123, Jan. $121.75, Feb. $120.75, March $118, April-June $115, July-Sept. $116.50, Oct.-Dec. $116.50.

Rye—U.S. No. 2 Canadian Western April-May $110.

Oats — Norwegian — Jan./mid-Feb. $103.50. Swedish—Spot $95 2/40 U.S.—unquoted. 1/Can. feed—unquoted. U.S./Plate—Jan.-Feb. $96, Feb. $95.50, Feb.-March $96, March-April $96.

Sorghum—Argentine/U.S.—April $117, Jan. $117, Feb. $118, April-June $106. Barley—U.S. No. 3 Canadian ½—all unquoted.

PARIS, Jan. 23.

Cocoa (FFr per 100 kilos). March 1477/1490, May 1508/1509, July 1520 bid, Sept. 1550/1560, Dec. 1545/1550, March 1559 asked. Sales at call 5, accumulative total 25.

Sugar (FFr per 100 kilos). March 810/813, May 839/840, July 840/850, Aug. 884/888, Oct. 914/918, Nov. 905/915, Dec. 935/950, March 975/984. Sales at call 8.

INDICES

FINANCIAL TIMES

Jan. 22	Jan. 19	M'nth ago	Year ago
263.66	263.34	266.98	230.04

(Base: July 1, 1952=100)

MOODY'S

Moody's	Jan. 22	Jan. 19	M'th ago	Year ago
Spie Comty	997.4	995.7	972.5	897.8

(December 31, 1931=100)

DOW JONES

Dow Jones	Jan. 22	Jan. 19	Month ago	Year ago
Spot	375.64	375.51	380.51	346.68
F'tur's	371.65	372.40	379.06	336.05

(Average 1924-25-26=100)

REUTERS

Jan. 23	Jan. 22	M'nth ago	Year ago
1498.0	1502.2	1501.6	1403.0

(Base: September 18, 1931=100)

Import curbs to aid endangered species

By Our Commodities Staff

BRITAIN HAS stepped-up its support for the world conservation movement with the imposition of tighter controls on the importing of certain animal products.

Goods made from most endangered species will be banned altogether under an amendment order to the British, Endangered Species (Import and Export) Act which came into effect last Friday. In addition a monitoring system will be applied and licences required for products made from "vulnerable" animals.

The "endangered" classification covers certain turtles and crocodiles and some ivory goods.

Pakistan plans rice plant in Liverpool

By Iqbal Mirza in Karachi

THE PAKISTAN Government is to set up a rice polishing and packing plant in Liverpool as part of its plan to secure a market for about 50,000 tons of Basmati rice in Europe.

Commerce Minister Mian Zahid Sarfaraz said the rice would be sold in small packets under a Pakistani brand name.

He said it was in Pakistan's interest to export unpolished rice to the UK because the customs duty is £200 a tonne for polished rice but only £65 for unpolished.

The Pakistani, Indian Bangladeshi, Chinese and Malaysian populations in the UK offer a good market for the rice, the Minister said.

Monetary restraint warning and bleak industrial scene bring equities down to six-month low—Gilts steadier

Account Dealing Dates

*First Declara- Dealings	tions	Last Dealings	Account Day
Jan. 2	Jan. 11	Jan. 12	Jan. 23
Jan. 15	Jan. 25	Jan. 26	Feb. 6
Jan. 29	Feb. 8	Feb. 9	Feb. 20

* "New time" dealings may take place from 9.30 am two business days earlier.

The scene presented by stock markets yesterday was much the same as the bleak weather and industrial picture, and the FT 30-share index broke out of its three-month 27-points trading range to close at a six-month low. Lack of any settlement in the lorry drivers' dispute and the Governor of the Bank of England's warning over the need for continued monetary restraint ensured an extension of Monday's downward trend, particularly in equities.

Dealers were relieved and encouraged by initial willingness on the part of some buyers to come in at slightly lower price levels but the downtrend was subsequently resumed when demand was satisfied and small selling persisted. The market then became uncertain again and a Press forecast that Rank Organisation will make a £60m rights issue offer with today's preliminary statement began to weigh on sentiment; it had made little impression in the early trade.

The deterioration in the tone after the rallying tendency had petered out around noon was reflected in the F.T. Industrial Ordinary index which thereafter went progressively easier to close at the worst of the day with a fall of 5.5 to 467.6—its lowest since July 10 of last year. Business was naturally affected by the chaotic travelling conditions but in the circumstances official markings of 3,782 were slightly higher than anticipated.

The call for the Government to keep its monetary policies under tight control gave a shred of comfort to the Gilt-edged sector. Longer maturities steadied after the previous day's sharp setback and, despite small selling which caused quotations to ease ¼ at one stage, closed at overnight levels. The shorter maturities, however, were disturbed by the further rise in money market rates to their highest for two years and, exception only the two Variable coupon stocks, sustained losses extending to ¼. The rate on this week's offering of Local Authority Yearling Bonds, at 12½ per cent, was marginally above expectations.

Following an active day's trade in the investment currency market, the premium closed 1½ higher at 90½ per cent. Yesterday's SE conversion factor was 0.6837 (0.6874).

Almost half of the 433 contracts completed on the Traded Option market yesterday were done in Grand Metropolitan, with 205 deals.

Banks easier

Sporadic small offerings and lack of support brought further small falls to the major clearing banks. Barclays, 380p, and NatWest, 282p, declined 3 apiece, while Lloyds softened 2 to 288 as did Midland to 365p. In Discounts, Alexanders, at 250p, gave up half of the previous day's gain of 4 following further consideration of the results. Union held firm at 317p in front of today's preliminary statement.

Insurances closed lower throughout the list in sympathy with the general trend. Royals relinquished 8 to 340p, London United 4 to 178p and Willis Faber 3 to 225p.

The Scotch Whisky Association's warning over future export growth in the industry left Distillery issues displaying modest falls. Distillers cheapened 3 to 205p, and Arthur Bell, which recently announced a marketing deal with PepsiCo to improve their share of the U.S. market, gave up 5 to 177p. Plans by the major Brewers to push ahead for a 3p per pint price increase had little effect on the shares; Allied shed a penny to 82p and Scottish and Newcastle fell a like amount to a 1978-79 low of 57p.

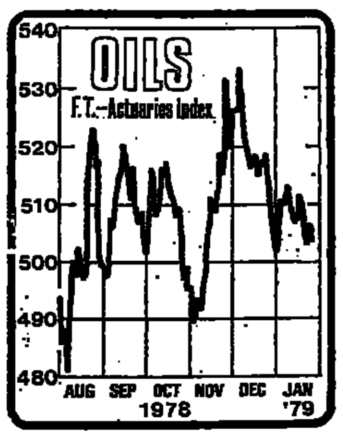
Quiet conditions persisted in the Building section where occasional selling was reflected in scattered losses of a few pence. Cement issues to give ground included Blue Circle, 265p, and Tunnel "B," 300p, down 4 apiece. BPB eased 3 to 250p, while Vectis Stone reacted 2 further to 50p after the recent speculative advance.

ICI encountered fresh sporadic selling and fell afresh to 354p before settling at 355p, down 3 on balance. Other Chemicals were also inclined easier, Hickson and Welch, 395p, and Yorkshire, 84p, both reacting a few pence.

Burton down

Profit-taking after the recent speculative spurt on a combination of bid and enfranchisement hopes brought falls to Burton issues; the Ordinary lost 4 to 206p, the A 6 to 184p while the Warrants softened a penny to 49p. Other leading Stores drifted lower on light selling. Gussies A declined 4 to 304p. Elsewhere, renewed profit-taking prompted a further reaction of 6 to 180p in MFI Furniture, while Status Discount ended 4 off at 207p in front of today's annual results. Despite the record interim earnings, Courts (Furnishers) A dipped 2 to 112p, while falls of 4 and 5 respectively were recorded in Foster Bros (Clothing), 170p, and Lee Cooper, 183p. Among Stores, Strong and Fisher at 70p lost all of the previous day's Press-inspired rise of 4 through profit-taking.

Selling was again evident in the Electrical sector, but losses were mainly limited to a few pence. Among the leaders, Thorn gave up 5 more to 351p, while GEC, 320p, and Plessey, 109p, eased 2 apiece. Recent Electronic favourites to give ground included Electrocomponents, 315p, and United Scientific, 285p, down 10 and 4 respectively. Best and May eased 2 to 58p and Kode were a similar amount lower at 153p. Against the trend, demand in a restricted market left Petbow 6 to the good at 85p.



Disappointment with the profits statement which accompanied the interim results prompted marked weakness in Davy Corporation, down 15 at 136p. Elsewhere in the Engineering sector, leading issues continued on a downward path. John Brown reacted 4 more to 356p, while Tubes eased a similar amount to 362p and GKN gave up 6 to 244p. APV reacted 5 to 195p in a restricted market and falls of 3 were marked against Francis Industries, 55p, Mining Supplies, 120p, and Williams and James, 131p. Scattered selling left Baker Perkins new shares 2 cheaper at 32p premium. Following rejection of the share exchange offer from GEI International, Mess Engineering hardened a penny to 83p. GEI, however, eased that amount to 83p, making the bid currently worth about 75p per share.

Lack of investment interest was evident among Foods, with most issues moving narrowly around the overnight levels. Supermarkets again tended lower; Associated Dairies, 191p, Amos Hinton, 81p, and William Low, 98p, all shed 2, while recently firm Hillards gave up 6 to 206p. Takeover favourite Robertson again met with profit-taking and shed 5 for a two-day loss of 7 at 138p. George Bassett also gave up 5, at 109p. Tate and Lyle, with annual results expected today, eased 2 to 182p.

Rank Org. lower

A Press suggestion that today's preliminary results will be accompanied by a £60m rights issue unsettled Rank Organisation which fell away to close 8 lower at 256p. Other Miscellaneous Industrial leaders moved in a similar direction, continuing to be deflated by the current labour unrest. Glaxo, 480p, and Beecham, 608p, lost 5 apiece, while Turner and Newall gave up 4 to 154p as did Boots, to 187p. Elsewhere, nervous selling developed in Liden before and after it was announced that the company's accounts had been delayed for a month until February 23; the shares nearly halved to a 1978-79 low of 6p before finishing a net 3½ down on balance at 8p. Still unsettled by the Board's bid denial and the company's request to the Stock Exchange to investigate recent dealings in the shares, Dufay Bitumastic cheapened a penny for a two-day relapse of 7 at 38p. Anglo American Asphalte came on offer at 40p, down 4, and Vinten relinquished 5 to 150p. Small speculative demand helped J. H. Fenner to improve 3 to 160p and Finlas added 7 more to 127p in continuing response to recent excellent results. Thomas French edged forward 2 to 67p in front of today's results, and Hallam Sleigh and Cheston added a similar amount to 35p; the annual results are due on February 6.

Small losses were the order of the day in quietly-traded Motors. Lucas gave up 8 to 288p in the continued absence of institutional support. Elsewhere in Components, Dowty eased 3 to 254p. Other notable falls included ERF, 4 off at 109p, and Fodens, 2 cheaper at 46p.

Packaging manufacturers David S. Smith fell 4 to 72p after announcing reduced interim profits accompanied by the company's remarks about the effects of the road haulage dispute. Firm on Monday following bid speculation, Capseals eased 2 to 43p in the absence of developments.

Properties mirrored the dull market trend and closed with widespread losses. Chesterfields relinquished 5 to 360p, while Great Portland Estates gave up 4 to 226p as did Stock Conversion, to 296p, the last-named after firmness which followed recent impressive interim results. APEX softened 3 to 83p and Daejan, mid-term figures expected next Tuesday, declined a like amount to 105p.

The Oil leaders fluctuated within fairly narrow limits before settling at slightly lower levels. British Petroleum ended 4 cheaper at 896p and Shell a couple of pence off at 560p. Secondary issues followed in the wake of the leaders with falls of 2 being marked against Tricentrol, 154p, and Ultramar, 214p.

Trusts recorded widespread losses of a penny and occasionally more. Among Financials, Smith Bros. eased 3 to 53p on the lower interim profits. In contrast, Investment Company met support at 25p, up 2, while Challenge Corporation firmed 3 to 137p.

Shippings drifted lower in quiet trading. P and O deferred reacting a penny to 89p and Common Bros. 2 to 186p.

Golds steady

Textiles again encountered a low level of activity and Courtaulds shed a couple of pence to 112p. Despite a broker's bearish circular on the carpet industry, most issues held opening prices although Carpets International eased a penny to 56p and Nottingham Manufacturing slipped 3 to 138p. Scottish, English and European relinquished 2 to 80p in front of today's half-timer. Ash Spinning again attracted a little buying and rose 3 to 107p on hopes of a further statement about the bid approach announced last Friday.

Plantations closed narrowly mixed. Rises of 2 and 3 respectively were seen in Sungei Krian, 90p, and Chersonese, 56p, while Kuala Lumpar Kepong eased 2 to 86p.

South African Gold shares held up well despite a $3.50 reaction in the bullion price to $230.625 per ounce.

After moving further ahead in the U.S. late on Tuesday evening, prices came under light selling pressure from Johannesburg in early trading. However, towards the close and in the after-hours' trade they tended to steady and in one or two cases move ahead slightly.

The Gold Mines index registered a 0.6 improvement at 160.1 but the ex-premium index eased 0.1 to 109.5.

South African Financials were featured by the late strength of De Beers, which closed 12 higher at 428p following American buying. "Johnnies" also made fresh progress with a gain of ½ to £16.

London-based Financials were lower across the board, reflecting lack of interest and a further downturn in UK equities. Rio Tinto-Zinc, 259p, Gold Fields, 138p, and Charter Consolidated, 189p, were all around 3 cheaper.

In Coppers, Messina fell 3 to 83p owing to the easier trend in the metal price. Tins, however, gained further ground following renewed far eastern demand. Tronoh were outstanding with a rise of 15 to 250p, while new highs for 1978-79 were seen in Ayer Hitam and Southern Malayan which both improved 10 to 425p and 360p respectively.

Australians got off to a poor start following weakness in overnight Sydney and Melbourne but prices staged a modest rally in the afternoon owing to small London buying.

MIM Holdings rose 3 to a 1978-79 high of 246p on consideration of the increased interim profits and dividend, while the latest drill results from the Olympic Dam prospect in South Australia and the Wilga prospect in Victoria prompted late support for Western Mining—which closed unchanged on balance at 161p, after 159p.

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Jan. 9	Jan. 22	Apr. 5	Apr. 18
Jan. 23	Feb. 5	Apr. 19	May 1
Feb. 6	Feb. 19	May 3	May 15

For rate indications see end of Share Information Service

Stocks favoured for the call included ICI, UDT, British Land, KCA, J. Bibby, Burmah Oil, French Kier, English Property, Spillers, Britannia Arrow, Lonrho, Town and City and United Biscuits. Puts were reported in BP, GEC and Racal, while doubles arranged included Messina and BP.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	77	[illegible]
Corpns. Dom. and Foreign Bonds	7	17	47
Industrials	124	521	676
Financial and Prop.	11	153	342
Oils	2	11	25
Plantation	6	5	21
Mines	46	37	58
Recent Issues	1	8	17
Totals	197	769	1,442

FINANCIAL TIMES STOCK INDICES

	Jan. 23	Jan. 22	Jan. 19	Jan. 18	Jan. 17	Jan. 16	A year ago
Government Secs.	66.99	67.00	67.37	67.62	67.51	67.92	76.97
Fixed Interest	69.18	69.32	69.80	70.09	69.96	70.09	80.70
Industrial	467.6	473.1	478.9	474.5	474.0	481.5	463.4
Gold Mines	160.1	159.5	154.3	150.1	146.7	142.4	159.9
Gold Mines (Ex-$ pm)	109.5	109.6	105.9	103.5	100.6	97.8	117.4
Ord. Div. Yield	6.22	6.16	6.08	6.12	6.12	6.02	5.57
Earnings, Y'ld % (full)	16.31	16.14	15.94	16.05	16.05	15.80	16.99
P/E Ratio (net) (*)	7.93	8.01	8.11	8.09	8.09	8.22	8.64
Dealings marked	3,782	4,817	3,835	3,955	4,405	4,600	6,132
Equity turnover £m.	—	53.74	58.51	61.54	67.17	70.99	85.67
Equity bargains total	—	11,299	10,974	11,420	11,344	12,700	16,325

10 am 469.3. 11 am 468.8. Noon 469.3. 1 pm 468.2. 2 pm 468.1. 3 pm 467.8.
Latest Index 01-246 8026.
* Nil=7.70.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex. $ premium index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978/9 High	1978/9 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	78.58 (3/1/78)	66.99 (23/1/79)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	69.18 (23/1/79)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9/78)	433.4 (2/3/78)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8/78)	129.3 (28/11/78)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm)	132.3 (14/8/78)	90.3 (14/4/78)	337.1 (3/4/74)	54.3 (26/6/76)

S.E. ACTIVITY

	Jan. 23	Jan. 22
Daily		
Gilt Edged	130.1	169.4
Industrials	329.9	455.1
Speculative	48.0	53.1
Totals	86.1	109.6
5-day Av'ge		
Gilt Edged	141.1	150.0
Industrials	142.3	146.8
Speculative	41.3	40.5
Totals	94.7	98.4

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978-79 high	1978-79 low
Barclays Bank	£1	7	380	− 3	398	296
BP	£1	7	896	− 4	954	720
De Beers Defd.	R0.05	7	428	+12	488	285
GEC	25p	7	320	− 2	349	233
RTZ	25p	7	259	− 3	268	164
Turner & Newall	£1	7	154	− 4	209	154
Burmah Oil	£1	6	90	+ 1	95	42
Dunlop	50p	6	63	− 1	90	62
ICI	£1	6	355	− 3	421	328
Marks & Spencer	25p	6	85	—	94	67½
Shell Transport	25p	6	560	− 2	602	484
Averys	25p	5	219	− 2	242	142
GKN	£1	5	244	− 6	296	244
Lucas Inds.	£1	5	288	− 8	336	240
P. & O. Defd.	£1	5	89	− 1	118	76½

NEW HIGHS AND LOWS FOR 1978/9

The following securities quoted by the Share Information Service yesterday attained new Highs and Lows for 1978-79.

NEW HIGHS (24)

BRITISH FUNDS (2)
Treas. Variable 1981 Treas. Variable 1982
BANKS (1)
Hill Samuel Warrants
[illegible]

NEW LOWS (44)

BRITISH FUNDS (15)
Excheq. 13pc 1980 Excheq. 9½pc 1982
Treas. 9½pc 1981 Excheq. 8¾pc 1983
Excheq. 8¼pc 1981 Treas. 12pc 1983
Excheq. 9¼pc 1981 Treas. 8¾pc 1983-A
Excheq. 12¼pc 1981 Treas. 8½pc 1983
Treas. 8½pc '80-82 Excheq. 10pc 1983
Treas. 14pc 1982 Treas. 8¼pc 1987
Treas. 6¼pc 1982
[illegible]
LASMO
Wesco Inv.
Wankie Colliery
[illegible]

APPOINTMENTS

Allen Harvey & Ross chairman

Mr. Alistair Buchanan, deputy chairman of ALLEN HARVEY AND ROSS, is to become chairman from April 30. He will succeed Mr. Michael Allsopp, who will remain on the Board. Mr. Allsopp, at present a director of DUNBAR AND CO., will become chairman of that company on May 1 to replace Mr. Ronald Scotcher, who is retiring.

★

Mr. J. Battersby has been appointed London representative of BANCO DI SANTO SPIRITO in succession to Mr. P. Menzini, who is returning to the bank's international division in Rome.

★

Brown Shipley and Company has formed a subsidiary called BROWN SHIPLEY FACTORS. The Board of the new company consists of Mr. Michael E. Mills, managing director, Mr. John A. Higinbotham and Mr. Arthur G. F. Cordell.

★

Mr. A. S. Dunstan, of Sydney, New South Wales, has been appointed chairman of MUTUAL ACCEPTANCE following the resignation from the Board of Mr. G. P. Crowle. The company is the Australian subsidiary of Standard Chartered Bank.

★

Mr. Raymond F. Miller, senior vice president and general manager of the London branch of Bankers Trust Company, has been elected chairman of the AMERICAN BANKS ASSOCIATION OF LONDON. Mr. Robert Dussler, Jr. vice president and general manager of the London branch of Texas Commerce Bank, has been made vice chairman of the association.

★

Mr. J. Varley has relinquished the position of joint managing director of BAMFORDS but remains chief executive of the Bamford Group. Mr. L. E. Riley has been appointed joint managing director of Bamfords.

★

Mr. Colin S. Wills has today been appointed a director of REDIFFUSION HOLDINGS. He is an executive of the parent company, British Electric Traction.

★

Mr. S. Worrall has retired from the Board of BARTON AND SONS and as chairman of three subsidiaries. He has been appointed a consultant to the group.

★

Mr. R. G. Widman, president and chairman of the McKee Corporation of Cleveland, U.S., has been elected to the Board of DAVY CORPORATION following the merger. Mr. Widman will retire as president, chairman and director of McKee on March 1 and will be succeeded as president by Mr. W. F. Richards, executive vice-president, operations.

★

Mr. William B. Mulligan, chief executive of B+I LINE, has been appointed to the Board.

★

Mr. J. B. Rolls, Mr. W. L. J. Lowe and Mr. J A Bunce are joining ILLINGWORTH AND HENRIQUES, stockbrokers, Manchester, as associate members on February 5. They will be based with Mr. C. D. Morpeth at the newly-opened London office at 59a, London Wall, EC2. Mr. J. Q. A. Findlater and Mr. P. F. Heath are also joining the firm at the London office.

★

The CHASE MANHATTAN BANK NA has appointed vice-president, Mr. John D. Philipsborn as regional institutional manager for the UK and Scandinavia. He will be based in London.

★

Mr. John Morris has been appointed sales director of DUST CONTROL EQUIPMENT, a member of the Thomas Tilling group.

★

Mr. Peter C. de Haan has been appointed a director of SAGA HOLIDAYS.

★

Mr. Ken Jackson is joining TI POLMACH as marketing director. He was previously with Qualters and Smith.

LONDON TRADED OPTIONS

Option	Ex'rc'se price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	900	2	5	40	10	63	10	897p
Com. Union	140	5	—	12	5	14	—	144p
Com. Union	160	1	—	3	2	7	—	"
Cons. Gold	180	10	12	18	—	21	—	189p
Cons. Gold	200	1	—	7½	—	11½	1	"
Courtaulds	100	12½	3	16	5	19	—	113p
Courtaulds	110	3	3	9	3	12	—	"
Courtaulds	120	1	4	4	—	7	—	"
GEC	300	20	11	33	—	46	—	320p
Grand Met.	100	13½	10	16	60	19½	60	113p
Grand Met.	110	3½	55	8	20	12½	—	"
ICI	330	24	5	30	—	41	14	355p
ICI	360	3½	10	11	10	26	—	"
ICI	390	1	—	4	10	12½	—	"
Land Secs.	180	69	5	70	—	—	—	249p
Land Secs.	200	49	3	55	—	40	—	"
Land Secs.	220	29	10	36	—	26	—	"
Land Secs.	240	9	16	20	—	—	—	"
Marks & Sp.	70	15	5	27	—	18	—	85p
Marks & Sp.	80	5	—	18	5	13	—	"
Marks & Sp.	90	1	7	10	—	7	—	"
Marks & Sp.	100	½	—	4½	14	7	—	"
Shell	550	12	—	32	—	40	1	560p
Totals			161		142		91	

Option	Ex'rc'se price	February Closing offer	February Vol.	May Closing offer	May Vol.	August Closing offer	August Vol.	Equity close
BOC Intl.	70	2	2	4½	20	6½	—	70p
EMI	140	6	5	11	—	15	—	139p
RTZ	260	9	—	18	—	22	5	260p
RTZ	280	2	—	9	7	13	—	"
Totals			7		27		5	

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
A$0.50	F.P.	—	82	61	Ashton Mining 50c.	76	......	—	—	—	—
A$125	F.P.	—	106	97	††Aust. Farming A$1.	105	......	—	—	—	—
—	F.P.	—	30	27	Gosforth Ind. 10p	29xd	......	2.0	—	10.1	—
155	F.P.	10/1	187	170	Harris Queensw'y 20p	178	−2	†7.8	3.1	6.5	7.4
**	F.P.	16/2	132	126	Hunting Assoc. Defd.	126	......	—	—	—	—
—	F.P.	—	104p	89p	††IAS Cargo Airlines.	97p	−1	61.83	3.7	2.9	(10.5)
**	F.P.	9/2	34	31	M. Y. Dart Defd.	31	......	—	—	—	—
110	F.P.	17/1	136	115	Mill'tts L's're Shps 20p	132	......	b45.7	1.8	6.4	12.7

FIXED INTEREST STOCKS

Issue Price	Am'unt Paid up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p:	+ or −
¶¶	F.P.	16/2	109p	107p	Assoc. Dairies 9¼% Pref.	107p	......
¶	F.P.	26/1	100	89¾	Colne Valley Water 8% Red Prf 1983	101	......
‖100p	F.P.	28/12	100½	p 99p	Findlay 8% Cnv. Cum. Red. Prf.	99p	......
‖100p	F.P.	5/1	123	102	Hawley-Leisure 12% Cnv. Uns. Ln. '86-88	121	−1
—	F.P.	—	137p	78p	††IAS Cargo Airlines 6% Cnv. Pref. £1	132p	−3
¶	£10	1/3	13¼	13	Mid Kent Water 8% Pref. 1984	13¼	......
100p	F.P.	11/1	107	100¾	Rivington Reed 9½% Cnv. Cum. Red. Pref.	106	−1
97½p	F.P.	5/1	99p	97½p	Seascope 10¼% Pref.	97½p	......

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ▪	1978/9 High	1978/9 Low	Stock	Closing price p:	+ or −
60	F.P.	19/1	19/2	76	67	Associated Biscuit	76	......
125	Nil	—	—	36pm	31pm	Baker Perkins	32pm	−2
17	F.P.	15/12	26/1	21	19½	Boulton (Wm.)	21	......
45	F.P.	8/12	9/2	58½	47	Foster (John)	58½	......
250	F.P.	3/1	9/2	320	298	Metal Box	310	−2
55	F.P.	5/1	26/1	71	66	Milbury	70	......
105	Nil	—	7/2	22pm	19pm	Neil & Spencer	22pm	+3
20c	Nil	—	—	30pm	24pm	Poseidon	27pm	−2
10	F.P.	22/1	23/2	17½	14½	Suter Electrical Defd.	17	......
28	F.P.	10/1	9/2	38	34	York Fine Woollen	38	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tues., Jan. 23, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Mon., Jan. 22 Index No.	Fri., Jan. 19 Index No.	Thurs., Jan. 18 Index No.	Wed., Jan. 17 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	230.33	−0.9	17.56	5.68	7.79	232.51	235.12	233.28	233.61	212.60
2	Building Materials (28)	205.46	−0.9	18.61	6.25	7.37	207.41	208.62	206.20	207.88	193.98
3	Contracting, Construction (28)	351.80	−0.8	22.01	5.33	6.52	354.74	358.40	357.01	358.09	308.46
4	Electricals (15)	537.14	−0.6	14.33	3.54	9.55	540.35	547.57	542.78	540.81	460.32
5	Engineering Contractors (13)	359.55	−2.5	18.42	6.17	7.34	368.94	372.32	368.32	369.70	298.24
6	Mechanical Engineering (72)	179.16	−0.8	18.73	6.21	7.12	180.69	183.33	182.04	182.47	166.56
8	Metals and Metal Forming (16)	159.37	−1.3	17.19	9.01	8.08	161.47	162.71	162.23	162.59	164.65
11	CONSUMER GOODS (DURABLE) (53)	206.00	−1.1	17.12	5.25	7.81	208.33	211.02	209.42	209.72	195.66
12	Lt. Electronics, Radio, TV (16)	261.52	−0.9	14.48	4.00	9.70	264.01	267.11	265.39	265.48	233.61
13	Household Goods (12)	165.57	−0.4	18.24	6.89	7.52	166.29	167.18	167.00	167.57	175.26
14	Motors and Distributors (25)	118.00	−1.6	21.69	7.17	5.79	119.91	121.90	120.56	120.43	117.72
21	CONSUMER GOODS (NON-DURABLE) (170)	207.27	−0.8	16.74	6.18	7.91	208.88	211.23	209.29	209.22	200.19
22	Breweries (14)	226.90	−0.7	16.67	6.62	7.66	228.42	231.46	228.64	229.64	223.77
23	Wines and Spirits (6)	290.68	−1.4	15.98	5.13	9.19	294.79	298.88	293.26	290.04	246.13
24	Entertainment, Catering (17)	270.31	−0.7	16.09	6.78	8.23	272.30	275.80	273.14	269.35	263.38
25	Food Manufacturing (19)	197.42	−0.5	19.26	5.72	6.89	198.47	201.64	199.39	199.80	193.77
26	Food Retailing (15)	227.66	−0.3	13.94	5.17	9.97	228.33	232.75	230.53	230.71	201.66
32	Newspapers, Publishing (12)	385.76	−0.3	20.85	6.34	6.77	386.91	390.01	386.67	389.40	337.71
33	Packaging and Paper (15)	133.66	−0.7	18.87	7.88	6.93	134.67	136.21	135.01	135.50	132.65
34	Stores (40)	191.51	−1.0	12.70	4.97	11.29	193.48	194.75	193.74	193.90	198.65
35	Textiles (23)	176.33	−1.1	18.29	8.50	7.07	178.32	179.95	179.89	179.64	177.99
36	Tobaccos (3)	236.63	−0.4	23.45	7.93	5.04	237.63	239.69	236.61	237.11	222.65
37	Toys and Games (6)	89.91	−1.5	24.67	7.23	4.78	91.33	91.62	90.95	90.89	104.97
41	OTHER GROUPS (99)	194.93	−1.0	15.95	6.40	8.05	196.84	198.52	197.02	197.29	192.34
42	Chemicals (19)	274.24	−0.8	16.24	6.90	8.04	276.37	278.32	275.50	275.97	255.57
43	Pharmaceutical Products (7)	238.01	−0.8	11.66	4.89	10.39	240.01	243.02	243.35	244.15	255.40
44	Office Equipment (6)	136.65	−2.2	17.17	5.71	6.90	139.75	140.95	140.26	141.29	134.11
45	Shipping (10)	425.88	−0.8	14.20	7.14	8.93	429.30	433.19	427.27	427.81	478.96
46	Miscellaneous (57)	211.20	−1.0	18.37	6.82	7.18	213.36	216.96	212.82	212.55	204.18
49	INDUSTRIAL GROUP (494)	216.61	−0.9	16.79	6.04	7.91	218.55	220.89	219.05	219.20	207.59
51	Oils (6)	501.80	−0.4	13.92	4.01	7.81	503.83	506.32	503.16	505.60	452.06
59	500 SHARE INDEX	240.31	−0.8	16.34	5.72	7.89	242.28	244.66	242.70	242.98	228.19
61	FINANCIAL GROUP (115)	168.50	−0.7	—	5.78	—	169.73	172.30	171.52	172.87	174.72
62	Banks (6)	203.19	−0.8	23.19	5.88	6.46	204.83	208.46	207.47	208.08	202.05
63	Discount Houses (10)	213.11	+0.1	—	8.38	—	212.88	211.44	208.98	214.18	225.80
64	Hire Purchase (5)	163.56	−0.8	19.56	5.35	6.56	164.95	167.41	166.26	164.61	165.99
65	Insurance (Life) (10)	132.14	−0.9	—	7.11	—	133.38	135.96	135.60	136.69	145.39
66	Insurance (Composite) (7)	118.96	−0.7	—	7.37	—	119.77	122.40	121.15	122.01	137.37
67	Insurance Brokers (10)	294.65	−1.0	16.20	5.76	8.80	297.49	303.91	304.12	303.40	322.01
68	Merchant Banks (14)	79.54	+0.2	—	6.17	—	79.41	80.31	80.34	80.61	83.98
69	Property (43)	272.13	−0.8	3.91	2.98	40.98	274.32	277.29	274.78	275.57	250.18
70	Miscellaneous (10)	112.10	−0.4	20.03	7.03	6.20	112.55	112.84	113.58	115.15	110.16
71	Investment Trusts (111)	210.10	−0.5	—	5.06	—	211.07	211.59	210.24	211.25	191.34
81	Mining Finance (4)	112.59	−1.3	16.84	6.38	7.31	113.02	112.90	110.48	110.97	94.52
91	Overseas Traders (20)	317.28	−0.7	15.75	7.43	7.93	319.40	320.49	319.15	320.81	287.71
99	ALL-SHARE INDEX (750)	221.72	−0.8	—	5.74	—	223.47	225.72	223.99	224.56	212.54

FIXED INTEREST PRICE INDICES

	British Government	Tues., Jan. 23	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	102.30	−0.03	—	0.18
2	5-15 years	107.49	+0.02	—	0.89
3	Over 15 years	111.60	+0.03	0.50	1.20
4	Irredeemables	119.86	−0.05	—	0.00
5	All stocks	106.92	+0.00	0.17	0.68

FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.

			Tues., Jan. 23	Mon., Jan. 22	Year ago (approx.)
1	Low Coupons	5 years	10.05	10.05	7.49
2		15 years	11.85	11.84	9.59
3		25 years	12.65	12.64	10.20
4	Medium Coupons	5 years	13.24	13.23	9.75
5		15 years	13.24	13.23	10.60
6		25 years	13.24	13.23	10.74
7	High Coupons	5 years	13.33	13.30	10.32
8		15 years	13.78	13.78	11.50
9		25 years	13.77	13.77	11.55
10	Irredeemables		12.32	12.31	10.80

		Tues., Jan. 23 Index No.	Tues., Jan. 23 Yield %	Mon., Jan. 22	Fri., Jan. 19	Thur., Jan. 18	Wed., Jan. 17	Tues., Jan. 16	Mon., Jan. 15	Fri., Jan. 12	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	54.36	†13.64	54.45	54.56	54.56	54.64	54.72	54.72	54.73	65.44
16	Investment Trust Prefs. (15)	50.76	13.84	50.76	50.98	50.98	51.33	51.33	51.33	51.33	57.60
17	Coml. and Indl. Prefs. (20)	72.14	12.95	72.14	72.07	72.07	72.59	72.46	72.46	72.41	78.47

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4. 01-623 1050

Minster Jan. 15	37.8	39.3	.....	5.82
Exempt Dec. 29	99.5	103.5	.....	5.41

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-930 7333

MLA Units	47.7	50.2	.....	3.78

Murray Johnstone U.T. Mgnt.♥ (a)
163, Hope Street, Glasgow, G2 2UH. 041-221 5521

MJ European	83.4	88.8	.....	3.52

Dealing Day Friday.

Mutual Unit Trust Managers♥ (a)(g)
15, Copthall Ave., EC2R 7BU. 01-606 4803

Mutual Sec. Plus	50.6	54.2	−0.4	6.78
Mutual Inc. Tst	70.8	75.9	−0.4	7.64
Mutual Blue Chip	44.0	47.9	−0.3	6.79
Mutual High Yld	56.8	61.0	−0.3	8.84

National and Commercial
31, St. Andrew Square, Edinburgh. 031-556 9151

Income Jan. 17	159.2	165.0	.....	5.95
(Accum. Units)	221.6	229.8	.....	5.95
Capt. Jan. 17	132.8	137.6	.....	4.20
(Accum. Units)	162.0	168.0	.....	4.20

National Provident Inv. Mngrs. Ltd.♥
48, Gracechurch St., EC3P 3HH. 01-623 4200

N.P.I. Gth. Un. Tst	48.5	51.6	.....	4.70
(Accum. Units)*	60.2	64.1	.....	4.70
NPI O'seas. Trust	130.0	137.6	.....	2.35
(Accum. Units)**	139.6	147.8	.....	2.35

**Prices on Dec. 29. Next dealing Jan. 25.
*Prices on Jan. 17. Next dealing Jan. 31.

J. Finlay Internatl	24.1	25.9	.....	2.05
Accum. Units	28.6	30.7	.....	2.05
J. Finlay Income	36.5	39.2	.....	8.46
J. Finlay Euro. Fin.	27.7	29.8	.....	3.25
Accum. Units	32.8	35.2	.....	3.25
J. Finlay Fd. In. Tst	28.4	30.5	.....	4.04
Accum. Units	33.0	35.5	.....	4.04

Prices on Jan. 17. Next dealing Jan. 24.

Do. Accum.	63.5	68.3	.....	8.54
High Yield	69.2	74.5	.....	8.54
Do. Accum.	107.2	113.1	.....	5.57
Equity Exempt*	107.2	113.1	.....	5.57
Do. Accum.*	50.6	53.9	−0.5	0.85
Japan & Pacific	50.6	53.9	−0.5	0.85
Do. Accum.				

*Prices at Jan. 12. Next dealing Jan. 26.

CORAL INDEX: Close 466-471

INSURANCE BASE RATES

†Property Growth	12%
†Vanbrugh Guaranteed	11.75%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$291.89	.....	2.60
Jardine J'pn. Fd.*	†HK$415.66	.....	0.80
Jardine S.E.A.	$US17.59	.....	2.10
Jardine Flem. Int.	HK$12.02	.....	—
Intl. Pac. Secs. (Inc.)	HK$13.57	.....	—
Do. (Accum.)	HK$13.86	.....	—

NAV Jan. 15. *Equivalent $US36.44.
Next sub. day January 15.

1, Charing Cross, St. Helier, Jsy. C1 0534 73741

CMF Ltd. Dec. 28	$US14.25	14.61	.....	—
CMT Ltd. Dec. 28	£14.25	14.62	.....	—
Metals Tst. Jan. 18	£12.93	13.25	.....	0.84
TMT Jan. 11	$US10.66	10.94	.....	—
T.M.T. Ltd. Dec. 14	£10.57	10.84	.....	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$US15.95	−0.02	—

NOTES

Prices do not include $ premium, except where indicated ◆, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ◆. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

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COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978-79 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly...	22	......	—	—
41	33	Do. 5pc Pref......	40	......	—	—
98	98	Chilean Mixed.....	98	......	—	15.10
22	6	Chinese 4½pc 1898	19	......	—	—
35	4½	Do. 5pc 1912	35	......	—	—
20½	4½	Do. 5pc 1925 Boxer	17	......	—	—
415	350	German Yng. 4½pc..	415	......	4½	—

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 46⅝% (based on US$1.9957 per £)
Conversion factor 0.6837 (0.6874)

CANADIANS

S.E. List Premium 46% (based on $2.3691 per £)

BANKS AND HIRE PURCHASE

59	37	Gibbs (A.)........	49	......	2.23	—	6.8
255	195	Gillett Bros. £1	220	......	15.41	—	10.5
29	19	Goode D't Mry.5p	19½	......	0.13	—	1.0
142	96	Grindlays.........	130	......	2.79	7.1	3.2
130	93	Guinness Peat..	116	......	h5.15	—	6.6
217	155	Hambros..........	182	+4	†9.76	—	8.0
100	81	Hill Samuel.......	83	......	†4.97	—	9.0
600	69	Do. Warrants..	69	−6	—	—	—
360	203	Hong Shng.$2.50	288	+3	h059c	—	2.4
69	52	Jessel Toynbee.	63	......	g3.65	—	8.6
215	150	Joseph (Leo) £1..	155	......	8.74	—	8.4

BANKS & HP—Continued

Hire Purchase, etc.

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Garages and Distributors

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PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

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(For Shipbuilders see Engineering)

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CENTRAL RAND

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O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

MINES—Continued

AUSTRALIAN

1978-79 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
15	9	Acmex 25c	13	......	—	—	—
156	64	Bougainville 50 Toea	153	−2	†Q8c	1.4	3.3
131	63	BH South 50c	129	......	—	—	—
820	150	Central Pacific	375	−25	—	—	—
336	148	Conzinc Riotinto 50c	300	−10	†Q10c	2.2	‡
32	19	Cultus Pacific N.L.	28	......	—	—	—
27	9½	Endeavour 20c	18	......	—	—	—
75	45	G.M. Kalgoorlie $1	74	+4	—	—	—
68	18	Haoma Gold N.L.	37	......	—	—	—
158	81	Hampton Areas 5p	150xd	......	‡Q3.55	2.0	3.5
40	10	Metals Ex. 50c	30½	−½	—	—	—
246	125	M.I.M. Hldgs. 50c	246	+3	Q9c	1.7	2.3
22	10	Minefields Expl.	15	......	—	—	—
57	10	Mount Lyell 25c	56	−1	—	—	—
56	12	Newmetal 20c	29	−1	—	—	—
143	79	North B. Hill 50c	125	+1	Q8c	1.3	4.0
16½	8½	Nth. Kalgurli	12	......	—	—	—
50	12	Nth. West Mining	30	......	—	—	—
178	115	Oakbridge $A1	134	......	Q12c	1.9	9.7
42	10	Otter N.L.	27	−3	—	—	—
80	30	Pacific Copper	80	+2	—	—	—
£15½	725	Pancont'l 25c	850	......	—	—	—
40	12	Paringa M&Ex. 5p	19½	......	—	—	—
570	310	Peko-Wallsend 50c	500	......	Q15c	φ	1.9
300	50	Southern Pacific	165	−5	—	—	—
164	84	Westn. Mining 50c	161	......	Q3c	0.7	1.2
100	35	Whim Creek 20c	65	......	—	—	—

TINS

1978-79 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	24	+1	2.81	1.3	17.4
425	240	Ayer Hitam $M1	425	+10	Q300c	0.5	15.2
60	45	Beralt Tin	54	+1	4.0	φ	11.1
305	190	Berjuntai $M1	245	......	†Q110c	1.0	10.6
185	111	Geevor	150	......	H5.57	5.8	5.5
11	8½	Gold & Base 12½p	9	−½	—	—	—
350	220	Gopeng Cons.	320	+5	18.0	φ	8.5
320	130	Hongkong	295	......	12.5	φ	6.3
93	64	Idris 10p	65	......	‡12.0	1.6	‡
11	7	Jantar 12½p	9½	......	—	—	—
84	63	Kamunting $M0.50	77	+1	†Q12.5c	2.1	3.5
240	133	Killinghall $M1	240	......	—	—	—
470	280	Malay Dredging $M1	425	+5	Q175c	0.7	8.8
78	40	ΔPahang	47	+1	—	—	—
78	50	Pengkalen 10p	63	......	4.5	φ	11.0
270	165	Petaling $M1	230	+5	Q120c	φ	11.2
87	49	Saint Piran	74	......	†2.03	6.5	4.1
70	47	South Crofty 10p	54	......	†4.19	2.0	11.6
245	140	South Kinta $M0.50	190	......	†Q145c	0.6	16.4
360	230	Sthn Malayan $M1	360	+10	Q190c	1.0	11.3
240	134	Sungei Besi $M1	240	+5	mQ65c	5.3	5.8
85	55	Supreme Corp. $M1	70	......	ZQ10c	—	3.1
103	84	Tanjong 15p	100	......	6.60	0.8	9.8
105	74	Tongkah Hrbr. $M1	105	+5	Q35.82%	8.7	7.3
270	148	Tronoh $M1	250	+15	‡Q88c	1.6	‡

COPPER

1978-79 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
104	54	Messina R0.50	83	−3	—	—	—

MISCELLANEOUS

1978-79 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
74	35	Barymin	74	+2	—	—	—
17	9	Burma Mines 17½p	12	......	—	—	—
300	165	Cons. Murch. 10c	250	......	—	—	—
465	245	Northgate C$1	395	......	—	—	—
268	164	R.T.Z.	259	−3	9.5	2.8	5.5
90	30	Sabina Inds. C$1	42	......	—	—	—
£12	687	Tara Exptn. $1	806	−19	—	—	—
210	120	Yukon Cons. C$1	204	−1	Q7c	2.9	1.6

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
$15¼	$10¼	Buffels R1	$12	+⅛	Q170c	1.8	16.3
$11¼	830c	East Drie R1	980c	−5	†Q78c	1.7	9.2
585c	330c	East Rand Prp. R1	375c	+15	—	—	—
$28¾	$16½	F.S. Geduld 50c	$21⅜	+¼	Q315c	φ	17.0
$15⅝	975c	Pres. Brand 50c	$12⅝	−¼	Q150c	φ	13.7
$13⅞	900c	St. Helena R1	$11⅞	......	Q190c	φ	18.4
470c	313c	Stilfontein 50c	460c	......	†Q22c	2.3	5.5
$21	$16¼	Vaal Reefs 50c	$20¾	−¼	Q115c	3.3	6.4
$37	$25	West Drie R1	$30½	......	Q385c	1.7	14.6
$31¼	$19	West Hldgs. 50c	$25⅝	+⅛	Q415c	φ	19.1
$12½	895c	Western Deep R2	$12¼	......	Q82.5c	2.4	7.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or —	Stock	Price	+ or —
Albany Inv. 20p	26	......	Sheffield Brick	51	......
Ash Spinning	187	+3	Sheff. Refrshmt.	70	......
Bertam	14	......	Sindall (Wm.)	120	......
Bdg'wtr. Est. 50p	325	......	IRISH		
Clover Croft	28	......			
Craig & Rose £1	615	......	Conv. 9% '80/82	£89⅞	−¼
Dyson (R. A.) A	35	......	Alliance Gas	111	......
Ellis & McHdy	69	......	Arnott	370	......
Evered	27	......	Carroll (P.J.)	85	−5
Fife Forge	52	......	Clondalkin	99	......
Finlay Pkg. 5p	21	......	Concrete Prods.	140xd	......
Graig Ship. £1	135	......	Heiton (Hldgs.)	48	......
Higsons Brew	70	......	Ins. Corp.	165	......
Holt (Jos) 25p	252	......	Irish Ropes	102	......
I.O.M. Stm. £1	233	−1	Jacob	50	......
Pearce (C. H.)	198	......	T.M.G.	195	......
Peel Mills	22½	......	Unidare	85	......

OPTIONS
3-month Call Rates

Stock	Rate	Stock	Rate	Stock	Rate
Industrials		I.C.I.	29	Tube Invest.	30
A. Brew	6½	"Imps"	6	Unilever	35
A.P. Cement	18	I.C.L.	20	Utd. Drapery	7½
B.S.R.	9	Inveresk	8	Vickers	15
Babcock	11	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	17	**Property**	
Beecham	35	Legal & Gen.	14		
Boots	15	Lex Service	7	Brit. Land	3¼
Bowaters	16	Lloyds Bank	22	Cap. Counties	4½
B.A.T.	24	"Lofs"	4	E.P.	5
British Oxygen	6	London Brick	5	Intreuropean	4
Brown (J.)	20	Lonrho	5	Land Secs.	16
Burton 'A'	12	Lucas Inds.	25	MEPC	12
Cadburys	5	Lyons (J.)	10	Peachey	8
Courtaulds	10	"Mams"	7	Samuel Props.	9
Debenhams	8	Mrks. & Spncr	18	Town & City	1¼
Distillers	15	Midland Bank	25	**Oils**	
Dunlop	7	N.E.I.	12		
Eagle Star	11	Nat. West. Bank	22	Brit. Petroleum	45
E.M.I.	14	Do. Warrants	10	Burmah Oil	5
Gen. Accident	17	P & O Dfd.	8	Charterhall	3
Gen. Electric	18	Plessey	8	Shell	28
Glaxo	40	R.H.M.	5	Ultramar	20
Grand Met.	9	Rank Org. 'A'	18	**Mines**	
G.U.S. 'A'	20	Reed Intnl.	12		
Guardian	18	Spillers	3		
G.K.N.	22	Tesco	4	Charter Cons.	12
Hawker Sidd	20	Thorn	22	Cons. Gold	14
House of Fraser	12	Trust Houses	15	Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

هكذا من الأصل

FINANCIAL TIMES
Wednesday January 24 1979

Germans rule out further tax reforms

BY ADRIAN DICKS IN BONN

THE West German Cabinet expects the German economy to grow by 4 per cent this year without fresh incentives.

Count Otto Lambsdorff, the Economics Minister, and Herr Hans Matthoefer, the Finance Minister, made clear yesterday that the Cabinet considered renewed public discussion of further tax reforms irrelevant and potentially harmful.

Herr Matthoefer, opening the Bundestag debate on his DM 203bn (£54bn) budget proposals, said categorically that there could be no additional tax cuts during the period up to the end of the present Parliament's mandate in December, 1980.

Count Lambsdorff, presenting his Ministry's annual report and forecasts for 1979, said there was "no need for discussion" of further measures.

Although the Government is "relatively optimistic," and regards the forecast 4 per cent *real increase in gross national product* as "realistic," the Economics Minister stressed that there remain dangers for this year's economic performance.

In contrast to last year, however, the Economics Ministry sees the main uncertainties for satisfactory growth in 1979 on the external side.

Count Lambsdorff listed these as the still powerful forces in favour of protectionism in world trade, the risk of a return to unstable exchange markets, renewed weakness in the economies of major trading partners, and looming threats to supplies of raw materials.

While Count Lambsdorff has publicly played down the potential impact of the Iranian troubles, some senior officials here now privately express growing anxiety at the effect that a lasting shutdown of Iranian oil exports might have on 1979 growth.

Stimulus

With these factors in mind, no substantial stimulus to the economy from exports is forecast in 1979. They are expected to grow at best by about the same 3 per cent in real terms as world trade generally.

Meanwhile, the share of *foreign trade in West German* GNP is expected once again to decline slightly in real and nominal terms.

By contrast, the Economics Minister expressed fewer doubts about the domestic outlook. He paid tribute to the self-restraint of the two sides of industry in reaching moderate wage settlements last year, and welcomed the agreement reached early yesterday in the Hesse metal fabrication and engineering industry as a laudable step in the same direction.

The 4.3 per cent wage increase is likely to become the model for the industry elsewhere in Germany, as well as a bench-mark for other sectors.

The Economic Ministry's forecasters project wage growth of about 6 per cent for 1979—although they stress that this implies a somewhat lower rate of settlements across the bargaining table.

Count Lambsdorff stressed the Government's support for the touch on the monetary brakes made by the Bundesbank last week, and stressed that Bonn supports the central bankers' concern to safeguard stability.

The Economics Ministry's report also holds out the promise of a fresh effort this year to make life easier for *smaller companies, by simplifying* the formalities involved in starting a business, making it easier to raise equity capital and channelling further research and development funds to smaller businesses.

Editorial Comment Page 18
German dilemma with external payments Page 19

Rail unions put 'substantial' pay claims

BY PHILIP BASSETT, LABOUR STAFF

RAIL UNION leaders yesterday presented their "substantial" pay claims in negotiations with the British Railways Board.

The talks are also intended to find a settlement to the dispute over productivity payments which has led to the series of one-day national strikes by the train drivers' union, ASLEF.

British Rail services, particularly those in its Southern Region, are likely to continue to be disrupted today by a combination of the effects of the weather and yesterday's train drivers' strike. Another one-day national strike is planned for tomorrow.

Some London Transport tube services seemed to be affected yesterday by unofficial sympathy action by ASLEF drivers.

ASLEF, the National Union of Railwaymen, and the Transport and Salaried Staffs Association, presented their claims for their 1979 annual pay increase at a meeting last night of the Railway Staff national council.

Productivity

Mr. Sid Weighell, NUR general secretary, said his union would expect to be offered about 9 per cent as well as an extension of its present national productivity deal and an offer similar to any made to the miners and electricity supply workers.

The union will also be strongly pressing a claim for a reduction in railway blue collar grades' 40-hour week to 35 hours. The union estimates it would cost £100m to meet the claim in full. The settlement date for the rail unions is April 23.

Mr. Weighell said the NUR would stick to its policy of resisting any separate productivity deal for particular grades. The policy has proved to be a major stumbling block to talks on ASLEF's claim for 10 per cent special responsibility payments.

Uncertain

Before yesterday's talks it was uncertain if the two sides would actually meet. The ASLEF executive spent six hours discussing whether to attend the talks, but a majority eventually authorised Mr. Ray Buckton, general secretary, to attend.

A formula suggested by Mr. Len Murray, TUC general secretary, provides for talks on the annual pay claim to be followed by discussions on the drivers' claim and general rail productivity.

British Rail warned yesterday that considerable delays were expected to services today, particularly in the Southern Region with cancellations and serious delays.

Because of the train drivers' strike, deicing trains did not run to deal with the thick ice which formed on the electric conductor rails predominantly in use in the Southern Region.

Delays and cancellations were also expected on services into Liverpool Street, Fenchurch Street, and Kings Cross Stations, though inter-city services were expected to be reasonably good.

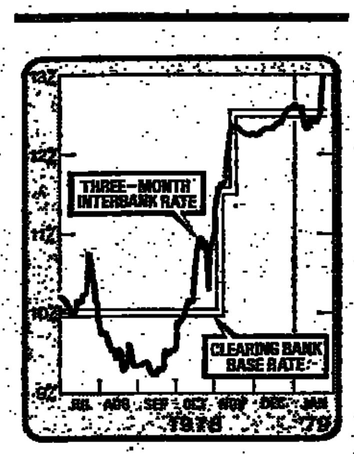
More than 130 London Transport Underground services were halted yesterday. London Transport maintained that adverse weather conditions were the cause. But some union officials thought the figure was too high to be just the result of the weather, and that some tube train drivers had unofficially taken threatened strike action in sympathy with the national drivers.

THE LEX COLUMN

A disappointment from Davy

Poor attendance could have influenced the dip in the FT 30-Share Index below the important 470 level yesterday morning. But an attempted rally failed, and the Index closed at the lowest level of the day.

Index fell 5.5 to 467.6



Davy Corporation

Yesterday hardly provided the most opportune occasion to announce unsatisfactory figures, and poor Davy Corporation had 10 per cent knocked off its market capitalisation when it brought out a first half profit figure barely changed at £8.5m. For the year as a whole, profits should be "in the region of" the £25.4m earned pre-tax in 1977-78, as Davy's $113m U.S. acquisition McKee, which will be consolidated for four months, is expected to do no more than cover the interest charge resulting from its purchase.

The group's manufacturing interests, particularly the casting business brought in by Head Wrightson, are still producing disappointing earnings, leaving any growth to come from the contracting side. In this respect the long-term contribution from McKee, which has no manufacturing interests but which will account for around half the enlarged group's sales, will be critical.

Davy is putting a brave face on its problems in Iran, where payments are ahead of work done on its three suspended contracts, but the interim profits contain a small provision nevertheless. The chairman's statement stresses the possibilities of the Chinese market, where the group already has contracts worth £150m—a further contract in the Chinese steel industry is so widely expected as to be more or less discounted in the share price.

All in all the 15p fall in the shares to 136p, where they yield a prospective 6.8 per cent on a *fully-taxed multiple of around 8*, may be somewhat overdone, but the buyers are unlikely to flood in until the £30m goodwill element in the purchase of McKee is seen to have been justified.

Talisman

The tariffs for Talisman, the Stock Exchange's new computerised settlement system, have at last been agreed—but not without keen debate at Council level. Exchange officials are now holding their breath pending the reaction of senior partners, who will get the details later this week.

Some proponents of the system have apparently been arguing that part of the costs could be met out of the Exchange's general levy. This would have run counter to the normal practice, whereby central services are paid for by the users, and it would certainly have upset the big gilts specialists who will get no benefit from Talisman. There have also been two distinct schools of thought about the period over which the new equipment should be written off, which obviously has an important bearing on the costs structure.

In the end, it seems that attempts to reduce the initial cost of Talisman for its users in the equity market have been rejected. The fact that they were made at all suggests, to say the least, that the new tariffs are not going to be greeted with smiles of relief. Members will have a couple of weeks in which to make their views felt before the charges are finally confirmed; and there could be a few feathers flying.

Interest rates

Helped by the Governor's brave words about the need for monetary discipline, sterling closed virtually unchanged last night and gilt-edged prices hardly moved. However, down in the money markets the discount houses were sounding decidedly gloomy. For the second day running interest rates were edging higher. The three-month interbank rate reached 13 per cent—its highest level for two years—and the local authority yearling bond rate rose by half a point to 12½ per cent.

Whereas a few months ago the betting was that interest rates could only move lower the discount market has now changed its mind and is adjusting its book accordingly. Meanwhile, with local authority three-month rates at 12½ per cent, the building societies' grossed up share rate is looking decidedly uncompetitive. Home owners may soon have to pay yet more for their mortgages.

The money market's interpretation of the way events are developing is crude but nonetheless sensible. If the authorities are to be believed about their devotion to the monetary targets yet are unable to resist the current surge in wage demands, the answer must lie in higher interest rates.

So far the money supply has appeared to be behaving reasonably well. However, the next set of money supply figures, for the January banking month which has just ended, will be watched carefully. It will be the third month of the new target period beginning October, and by putting the figures on an annualised basis the authorities will get an idea of whether their 8-12 per cent target is being met. If they are above target the pressure will be on the Bank of England to recommend another tightening of the credit screw.

Assoc. Newspapers

Rumours about the size of the losses at the London Evening News have been common enough in Fleet Street, but Associated Newspapers has never told its shareholders what the burden has been. All that was said in last July's annual report was that "the improvement in the Evening News has been well received by readers and the advertising industry." Presumably that improvement was not reflected in financial performance, for Associated has now told the unions that the loss will be £7m in the current year, ending March. That compares with group pre-tax profits which were £9.2m in the first-half and have been projected in the City at around £20m for the full year.

Associated is effectively controlled by family interests through a pyramid involving Daily Mail and General Trust, which has a two-tier equity capital structure, and it has never seemed very responsive to commercial forces. But the shares have climbed 20p so far this month to 185p, largely on stories that something would be done about the losses at the Evening News. The proposals are that at the cost of £6m in redundancies, economies will cut next year's projected losses of £7.5m by some £5m. So it seems public shareholders can look forward to a measure of improvement, but they may still wonder how a newspaper costing 8p to buy has been run at a loss of 4½p a copy.

Fiat completes its reshuffle of management

BY PAUL BETTS IN ROME

FIAT YESTERDAY completed its ambitious group reorganisation with a top management reshuffle that gives Sig. Umberto Agnelli, the younger of the two Agnelli brothers, direct control over day-to-day management of Italy's largest private enterprise.

Although Sig. Giovanni Agnelli maintains the chairmanship of the group, Sig. Umberto Agnelli, a Christian Democrat senator, will now be flanked by two other key executives in the Fiat management committee in charge of major planning, investment and operational decisions.

These two executives are Sig. Nicola Tufarelli, formerly in charge of Fiat's car manufacturing activities, and Sig. Cesare Romiti, responsible for the group's financial operations. Both have been appointed joint managing directors with Sig. Umberto Agnelli, who is also deputy chairman.

The new management structure follows the setting up of a new Fiat financial holding company which will now control the group's various industrial activities concentrated in 11 separate operational companies. The largest of these, Fiat Auto-spa, was launched earlier this month with a share capital of L1,200bn (£716.4m) grouping Fiat's car manufacturing activities.

The promotion of Sig. Tufarelli and Sig. Romiti reflects the important role they have played in the recovery of the Turin-based group.

Sig. Tufarelli is largely credited for bringing back into profit, after the 1973 oil crisis, Fiat's car division whose turnover last year increased from L4,809bn (£2.9bn) in 1977 to L5,757bn (£3.4bn). Sig. Romiti has been mainly responsible for the consolidation of Fiat's financial position and the group's subsequent increased profitability.

Fiat also announced yesterday the appointment of a chief executive for its Iveco Commercial Vehicles Subsidiary, which suffered a disappointing year largely as a result of the decline in the Italian market. The new chairman is M. Jacques Vandamme, who has been replaced as chairman of the Fiat Allis earthmoving equipment group by Sig. Marco Pittaluga. Sig. Vittorio Ghidella, Sig. Tufarelli's former deputy, was appointed managing director of Fiat's new car division.

In a letter to shareholders, Sig. Giovanni Agnelli said the new management structure reflected Fiat's "decentralisation and internationalisation" policy, and sought to spread management responsibilities between the holding company and the operating groups.

He also reported that group net consolidated turnover increased last year from L11,449bn (£6.8bn) in 1977 to L12,920bn (£7.7bn). Fixed-asset investments amounted to L938bn (£560m) last year, compared to L1,001bn in 1977.

Fiat's profits last year are expected to be about the same as the L85bn reported in 1977, reflecting the group's policy of containing dividends to preserve its self-financing potential. However, Fiat is also understood to be considering offering a scrip issue to its shareholders.

Fiat management changes, Page 25

London Evening News to cut staff

BY JOHN LLOYD

THE LONDON Evening News is to cut both its staff and the number of editions it prints in an effort to trim £5m off its annual losses, now running at over £7m.

The paper's management presented a series of radical changes to trade union representatives and heads of department yesterday. The package includes:

● An application to the Price Commission for a rise in the cover price from 8p to 10p.

● A reduction in the number of daily editions from seven to four: One of those cut will be the first, or racing edition.

● An end to publication on Saturdays and Bank holidays.

These plans — to come into force from the end of April — will result in the loss of about 580 jobs from the paper's current total of about 2,200. Redundancy payments — described by the News as "many millions greater than the statutory requirements" — will total some £6m.

Associated Newspapers — the group which owns the News — said yesterday that the level of redundancies was not negotiable. Redundancies would be voluntary as far as possible, but not for journalists.

Hardest hit will be distribution staff—members of the Society of Graphical and Allied Trades—where 275 jobs are to go. The National Graphical Association and the National Association of Operative Printers, Graphical and Media Personnel will lose 120 and 144 jobs respectively, mainly in the composing and machine rooms. *Some 39 journalists' jobs,* mainly held by members of the National Union of Journalists, will also be lost.

Associated said that there was no possibility of a merger between the Evening News and its rival London evening paper, the Evening Standard, "in the foreseeable future."

However, Mr. Victor Matthews, chairman of the Express Group which publishes the Evening Standard, confirmed yesterday that he had held talks with Associated on a possible merger recently, though they had come to nothing.

If the moves to cut its losses on the News are successful, Associated plans to invest in new printing technology

It is though that a £5m cut in the News' annual deficit would wholly wipe out the overall losses made by the "national newspaper" operation within Associated,

Mr. Lou Kirby, editor of the News, said that "these measures will enable the Evening News *to meet with greater vitality* the contemporary needs of readers and advertisers and will provide the opportunity to build upon the newspapers' very substantial achievements over the past 18 months."

Fight to halt drain on profits. Page 6
Journalists challenge union over strike. Page 8
Booth urged to end Times stalemate. Page 9

British Steel signs Brazil agreement

BY JOHN LLOYD

THE British Steel Corporation yesterday signed a technical agreement with Siderurgia Brasileira (Siderbras), the Brazilian steel industry's state holding company. The move is expected to lead to a number of contracts for the corporation's overseas services division.

The agreement prepares the ground for co-operation between the two companies on services such as control systems, organisation and method, quality control, health, safety and pollution control, the use of non-coking coal, and research and development.

The corporation at present buys about 4m tonnes of iron ore a year from Brazil, and supplies types of steel complementary to those produced there.

Redpath Dorman Long, the corporation's engineering subsidiary, has an agreement with Companhia Siderurgica Nacional—a Siderbras subsidiary—to provide technical help in the design and fabrication of large steel structures.

The corporation's overseas services division currently operates steel-related development projects in Mexico, Venezuela, Saudi Arabia, Iran and Libya.

However, the agreement with Siderbras covers a wider spread of services than before. The corporation said that there would be regular meetings of a joint working group composed of representatives from the two state organisations.

European steel Canadian project, Page 2

Continued from Page 1

Jobless rise

highest level for more than four years.

The rate of increase in notified vacancies—about a third of the total—has, however, been slackening since the autumn. The average inflow on month to the register has levelled off and there has been a similar stabilisation in the number leaving the unemployment register.

The unadjusted UK unemployment total rose by 91,000 in the month to mid-January to 1.455m. This is the second highest figure for this month since the Second World War.

The picture is slightly distorted by the appearance on the job market of 17,000 Scottish school leavers. The UK total for out-of-work school-leavers rose by 4,200 over the month to 47,400. This is 13,700 fewer than 12 months ago and is the lowest January total for three years.

Continued from Page 1

Callaghan

from going to work and others were being intimidated from reporting unlawful actions to the police, for fear of losing their union cards and their right to work.

Mr. Callaghan insisted that the police had a duty to take action against pickets going beyond their legal rights, and it was disclosed later that Mr. Merlyn Rees, Home Secretary, has written to chief constables reminding them of their duties —something he declined to admit earlier in the road haulage dispute.

During his TUC speech the Prime Minister made a strong appeal to the trade unions for responsibility over pay and warned that the economy could not sustain the pay awards some industrial groups were currently demanding.

He made no apology for repeating "the same old message" that the country had to consolidate the gains it had made against inflation in the last year.

Listing the achievements in the period, Mr. Callaghan said that last year Britain's industrial growth was one of the fastest in Europe. Living standards and take-home pay had substantially increased.

The pound was strong on the foreign exchanges and had helped to keep prices stable.

Nick Garnett writes: The Road Haulage Assoication has been in touch with the Department of Transport to see if Mr. Wiliam Rodgers, Transport Secretary, would be prepared to make a further public appeal to the drivers to return to work. It has also mounted a publicity campaign on its case

Mr. Alex Kitson said yesterday that about 500 individual companies had now settled on the union's full claim of a top rate of £65 for 40 hours.

There appears to be considerable pressure from hauliers in four regions to improve the present 15 per cent pay proposals.

Although the Road Haulage Association has been standing firm on its offer some of its regional officials say privately that meaningful negotiations could be re-opened if the Transport and General Workers' Union scaled down its 23 per cent claim.

Last night it was disclosed that employers and union officials had arranged a negotiating meeting next Monday for drivers in the North-west.

Weather

UK TODAY

MOSTLY dry in south, snow and sleet elsewhere, cold.

London, S. England, Channel Isles, E. Midlands

Mostly dry, bright intervals. Max. 0C-2C (32F-36F)

E. Anglia, E. England

Wintry showers near coast. Max. 0C-2C (32C-36F).

W. Midlands, Wales, N. England, I. of Man, S.W. Scotland

Dry at first, rain, sleet, turning to snow. Max. 0C-2C (32F-36F).

Rest of Scotland, Orkney, Shetland, N. Ireland

Rain, sleet, turning to snow, wintry showers. Max. 0C-2C (32F-36F).

● **Outlook:** Further snow in most areas, bright intervals, cold.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Athens	F	12	54	Madrid	C	10	50
Bahrain	C	23	73	Mchstr.	Sn	0	32
Barclna.	C	14	51	Melbne.	S	28	82
Beirut	F	11	52	Mex. C.	S	22	72
Belfast	Sn	—1	30	Milan	R	2	36
Belgrd.	C	5	41	M'ntreal	S	—4	25
Berlin	C	4	39	Munich	F	—2	28
B'ham.	Sn	—1	30	Nwcstl.	C	2	34
Bristol	Sn	—1	30	N. York	C	2	36
Brussels	R	0	32	Oslo	C	—6	21
Budpst.	C	—1	30	Paris	R	6	43
B. Aires	S	29	84	Perth	C	21	70
Cairo	C	15	59	Prague	C	—2	28
Cardiff	Sn	—1	30	Reykjvk.	D	2	36
Chicago	C	—3	27	Rio J'o	C	25	77
Cologne	C	1	34	Rome	R	13	55
Cpnhgn.	Sn	—3	27	Singapr.	S	35	95
Dublin	C	2	36	Stckhm.	Sn	—6	21
Ednbgh.	C	1	34	Strasbg.	C	2	36
Frankft.	D	1	34	Sydney	R	23	73
Geneva	C	3	37	Tehran	Sn	3	37
Glasgow	Sn	1	34	Tel Aviv	S	14	57
Helsinki	Sn	—7	19	Tokyo	S	11	52
H. Kong	S	19	66	Toronto	C	—3	27
Jo'burg	S	22	72	Vienna	C	—1	30
Lisbon	F	9	48	Warsaw	S	—6	21
London	Sn	—1	30	Zurich	R	0	32
Luxmbg.	D	1	34				

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	14	57	Istanbul	F	5	41
Biarritz	C	12	54	Jersey	D	5	41
Blackp'l	C	2	36	L. Plms.	F	20	68
Bordx.	R	11	52	Locarno	R	4	39
Boulgn.	C	0	32	Majorca	C	14	57
Cas'b'ca	F	18	64	Malaga	F	15	59
Cape T.	S	27	81	Malta	S	17	63
Corfu	C	12	54	Nairobi	C	12	54
Dbrvnk.	C	9	48	Nice	R	10	50
Florence	R	12	54	Rhodes	S	12	54
Funchal	R	16	61	Salzb'rg	C	—2	28
Gibrltr.	C	15	59	Tangier	F	18	64
G'rnsey	C	3	37	Tunis	F	17	63
Innsbrk.	F	4	39	Valencia	F	17	63
Invrnss.	Sl	2	36	Venice	R	5	41
I.o.Man	C	2	36				

C—Cloudy. F—Fair. R—Rain. S—Sunny. D—Drizzle. Sl—Sleet. Sn—Snow.

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